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Delors to Present Plan to Streamline EC Commission

By Axel Krause
International Herald Tribune

BRUSSELS — Jacques Delors, the former finance minister of France who takes over Jan. 6 as head of the European Community Commission, will submit a plan to EC governments in Dublin next week that is aimed at strengthening the commission's role in internal and foreign affairs.

The plan, which will be presented to EC leaders at their meeting Dec. 3-4 in Dublin, is built around three key policy goals that Mr. Delors has said he intends to pursue during his four-year term. The goals are the following:

- Expansion of the EC's internal markets through such measures as liberalization of intra-community trade in goods and services.
- Development of high-technology industries within the EC, which could encompass cooperation with the United States and Japan.
- Reinforcing European monetary cooperation, possibly by expanding the role of the European Currency Unit in international transactions.

According to senior government and diplomatic sources who have seen the plan, Mr. Delors will also propose that the commission's 14 members be assigned their various posts in advance of the community's first meeting of the year, traditionally held Jan. 6.

The EC's first meeting of the year has been characterized in the past by protracted battling over who gets what job. That has left scars on many commissions, including the present one headed by Gaston Thorn of Luxembourg.

According to sources, Mr. Delors and Pascal Lamy, a senior French civil servant who will direct Mr. Delors's office, have been negotiating the plan with the heads of EC member governments and their ministers for foreign and economic affairs since mid-September. The talks have been described as delicate.

According to sources, the broad outline of the plan has won the support of many member governments, as has Mr. Delors's determination to avert the kind of infighting over assignments that has characterized past commissions.

"The basic idea of Delors is to avoid a fight among governments and the commissioners before they have even started to work, and to have them all operating as a team as quickly as possible," one of the government sources said.

After Mr. Delors's plan has been presented to the EC heads of states in Dublin, the final choices for commission jobs will be made at a strategy meeting he has called for Dec. 7-8.

Another key component in the proposed reorganization is a plan to rotate commission assignments among member countries every four years, a change meant to avoid having one member country dominate an area of responsibility.

France, for example, has held the commission job for development and Third World relations since 1958. West Germany has held the external relations portfolio for several terms, while agriculture has previously gone to a Dutch or a Danish official.

Etienne Davignon of Belgium, the outgoing commissioner for industrial affairs, has built up what is considered the commission's most powerful assignment. His portfolio now includes energy, research and science and trade negotiations with the United States in such delicate areas as steel.

Under Mr. Delors's plan, such "fiefdoms" would be abolished. Assignments would be divided differently among member governments and restructured to emphasize emerging areas of importance to the community.

Thus, the responsibility for relations with the European Parliament would be separated from directing EC policy on competition. Both are presently handled by the same commissioner.

Environment and consumer affairs, presently under the commission's internal market, would become a single post. External rela-

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UPI

Jacques Delors

Truce Panel Sets Meeting To Deal With Korea Clash

The Associated Press

SEOUL — A meeting of the Military Armistice Commission was scheduled Monday to deal with Friday's firefight in Panmunjom, a village in the demilitarized zone between North and South Korea.

The commission was set up in 1953 to allow the two Koreas, the United States and China to present grievences on truce violations.

A South Korean soldier and three North Koreans were killed in Friday's shootout, and an American soldier and a North Korean were wounded, according to figures compiled from reports by North Korea and the United Nations Command. First reports said that two North Koreans were killed, but the North is now reporting that three of its soldiers died.

The shooting erupted when a Soviet national fled to the South across the military demarcation line. There have been widely varying versions of the incident.

The U.S.-led UN Command said the shooting began when a young Soviet language student, identified as Vasiliy Yakovlevich Matuzok, 22 or 23, broke away from a tour group and fled south voluntarily with North Korean soldiers in pursuit firing their pistols.

In the North Korean version, the student absently wandered too close to the border, and a North Korean guard trying to help him was shot by UN guards. North Korea said the man was then grabbed by South Korean and U.S. soldiers who forcibly dragged him across the demarcation line.

Each side accused the other of using automatic rifles, a violation of the rules allowing guards to wear sidearms only.

In Seoul, a U.S. Embassy announcement Saturday said Mr. Matuzok was under the protection of "appropriate authorities" who were debriefing him.

"His future will be determined on the basis of his stated desires and standard precedents and procedures," the embassy said.

The Associated Press

William J. Schroeder, the second recipient of an artificial heart, with his wife Margaret.

Americans May Lose Nuclear Trade With China Due to U.S. Delay on Pact

By Jim Mann
Los Angeles Times Service

BEIJING — U.S. companies are no longer the leading contenders for the multibillion-dollar job of building nuclear power plants in China because of Washington's delays in approving the U.S.-China nuclear accord reached during President Ronald Reagan's visit last spring.

Diplomatic and industry officials interviewed in Beijing said French and West German companies had the inside track in getting the Chinese nuclear contracts. The contracts will mean an estimated $10 billion to $20 billion to foreign companies over the next two decades.

"We're not even in the field," said an American official. The Chinese "are going to go their merry way with the French or the Germans."

A French official said that because of the stalled U.S. nuclear accord, "our feeling is that the real competition now is the Germans."

[The Chinese government has decided to accept inspections by the International Atomic Energy Agency, The Associated Press quoted the Japanese Kyodo News Service as reporting Saturday from Tokyo.

[During talks with Michiyuki Isurugi, former head of the Japanese Science and Technology Agency, Vice Prime Minister Li Peng of China assured the Japanese government that China would not use Japan's advanced technology in nuclear power plants to develop nuclear weapons, Kyodo reported.

[Mr. Li said the Chinese would accept formal inspections by the Vienna-based organization, the internationally accepted regulatory agency for nuclear energy, to prove that nuclear power plants and related technology were not used for military purposes. It was not certain how this development would affect the U.S.-China pact.]

The 1978 Nuclear Nonproliferation Act prohibits transfer of U.S. nuclear technology to another country unless there is a bilateral agreement assuring that nuclear materials will not be diverted to military use. The proposed China-U.S. agreement was an effort to establish such safeguards.

But because of continuing uncertainty about China's nuclear relationship with Pakistan, Mr. Reagan has yet to submit the accord to Congress. Instead, U.S. intelligence agencies were ordered to investigate whether two Chinese scientists at a nuclear facility Pakistan were aiding Pakistan's efforts to develop nuclear weapons.

China and Pakistan have denied allegations that they are cooperating on nuclear weapons production.

Within the next month or so, the Chinese will reportedly issue invitations to bid on a contract for a nuclear plant in Jiangsu province. Sources say that the inquiries will be sent to French, West German and Japanese companies. U.S. companies will not even be invited to bid.

The loss of potential contracts in China would be another major blow for the U.S. construction companies, which are already hurting from cancellations of dozens of nuclear power plants in the United States in recent years.

However, some U.S. nuclear-industry officials say they believe that American companies are still strong contenders for the China business.

"Even with the recent setbacks, the Americans are certainly not out of the running, because the Chinese would prefer to have U.S. technology," an industry official said Friday.

The Jiangsu contract is considered particularly important because it will probably determine which technology China will use in constructing future plants.

China is probably the world's largest untapped market for nuclear power plants. Chinese officials have said they plan to develop the capacity for approximately 10,000 megawatts of nuclear power — that is, five or six twin-reactor power stations — by the year 2000.

Among the U.S. competitors for the Chinese nuclear market have been Westinghouse Electric Corp., General Electric Co. and Combustion Engineering Inc. of Connecticut.

In addition, several public entities, such as the Tennessee Valley Authority, have attempted to sell China equipment that was originally ordered for nuclear plants canceled in the United States.

U.S. Man Is 2d Recipient Of an Artificial Heart

United Press International

LOUISVILLE, Kentucky — Surgeons implanted a permanent artificial heart Sunday in the chest of a man whose natural heart was expected to fail within a week. It was the second time that such a device had been used to keep a human being alive.

Surgery on William J. Schroeder, 52, of Jasper, Indiana, was completed seven hours after it began.

Two hours earlier, a hospital spokesman said surgeons were optimistic after the air-driven plastic and metal machine had replaced the two main pumping chambers of Mr. Schroeder's grossly enlarged heart.

Mr. Schroeder at that time was in stable condition and was slowly being removed from the heart-lung machine that maintained circulation during the surgery at Humana Heart Institute International. His pulse and blood pressure were reported stable.

Mr. Schroeder twice had signed a consent form that warned, among other things, that the operation was experimental with no guarantee of success.

Mr. Schroeder is a retired quality assurance specialist at Crane Naval Ammunition Activity in Jasper. He has been married 32 years and has six children.

The $15,500 heart, developed by Dr. Robert Jarvik, was implanted by Dr. William DeVries, who was aided by a team of five other doctors and 11 nurses and technicians.

Dr. DeVries is the surgeon who placed the first permanent mechanical heart in Dr. Barney B. Clark two years ago at the University of Utah. Dr. Clark died 112 days later when his body was no longer able to cope with an infection.

Despite the critical nature of Mr. Schroeder's heart disease, Dr. Allan M. Lansing, chairman of the Humana center, said the patient was in better health as he was being prepared for surgery than was Dr. Clark, who was 62 and whose lungs were damaged by emphysema.

Mr. Schroeder's heart muscle was weakened by two heart attacks. He has undergone surgery to bypass two clogged coronary arteries, but his heart continued to deteriorate. When he came to Louisville this month to discuss an artificial heart, he could walk only a few steps before stopping to rest.

Both Dr. DeVries and Dr. Jarvik said that a heart transplant generally offers better chances for survival than current models of an artificial heart. But Dr. Lansing said Mr. Schroeder's age and the fact that he has mild diabetes ruled out a transplant.

Mr. Schroeder was wheeled into the operating room at 7:57 A.M. The larger two of the natural heart's four chambers were cut out by 10:45 A.M. and Dr. DeVries began sewing "cuffs" made of Dacron felt to the pulmonary artery, which takes oxygen-depleted blood to the lungs, and to the aorta, which feeds oxygen-rich blood from the lungs to the rest of the body.

Similar cuffs then were sewed to what was left of the natural heart, the upper blood-collection chambers called atria.

Dr. DeVries snapped the artificial heart, about the size of two clenched fists, into the four awaiting cuffs. The artificial heart consists of two pumping chambers held together by a Velcro patch.

Two thin plastic tubes providing the air pulses that drive the heart were inserted through the skin of the upper abdomen and protruded in special "buttons" designed to minimize the risk of infection.

The drive lines connect to two eight-foot (2.4-meter) hoses that run to a 323-pound (147-kilogram), wheeled console. Mr. Schroeder must remain attached to the console, or to a portable drive system, for the rest of his life.

The Jarvik-7 heart is a virtual duplicate of the unit that beat nearly 13 million times in the chest of Dr. Clark. The only significant difference is that the device in Mr. Schroeder's chest has four titanium valves that are stronger than those used in Dr. Clark's unit. A valve failed after working for 13 days in Dr. Clark's artificial heart, and emergency surgery was required.

Another difference from the earlier operation is that Dr. DeVries has received federal permission to use a portable drive system to keep Mr. Schroeder's heart operating once his condition stabilizes.

The portable device, a shoulder-slung unit about the size of a large camera case, is designed to allow a patient to walk about for a few hours a day unencumbered by the large console normally used to drive the heart.

Dr. Jarvik said the portable drive system was the "key to quality of life" for Mr. Schroeder.

Dr. Jarvik, who emphasized before surgery that there was no certainty about the success of the operation, said the mechanical heart was expected to fail eventually. He said the unit could last as long as five years, but added, "we all think that's highly unlikely."

Humana, a for-profit group that hired Dr. DeVries away from the University of Utah, said it would pay for Mr. Schroeder's operation and subsequent operations needed to prove the reliability of the artificial heart. The operations are estimated to cost from $100,000 to $250,000 each.

Pravda Sees New Talks As Indication of Détente

The Associated Press

MOSCOW — The Soviet Union views new arms-control talks with the United States as both a resumption of the détente of the 1970s and a chance for Washington to reverse President Ronald Reagan's first-term policies, Pravda said Sunday.

The Communist Party newspaper, in making its first comment on the new arms talks since they were announced Thursday, avoided any suggestion that Moscow had abandoned its previous positions on disarmament.

The talks, between Secretary of State George P. Shultz and the Soviet foreign minister, Andrei A. Gromyko, are due to be held in Geneva on Jan. 7 and 8.

Two sets of U.S.-Soviet nuclear disarmament talks were broken off a year ago when Britain and West Germany began deploying new U.S.-made medium-range nuclear missiles as part of a North Atlantic Treaty Organization program.

The Pravda article, referring to a statement last week by President Konstantin U. Chernenko in which he called détente "the natural state" of superpower relations, characterized the new talks as a followup to the less confrontational approach to the United States espoused by Leonid I. Brezhnev, the Soviet leader who died in 1982.

A Pravda commentator, Nikolai Prozhogin, said, "The Soviet Union is firmly sticking to its principled line, no matter how complicated the turns of international policy."

Western diplomats said Pravda's explanation seemed to be aimed at reconciling the plan for new negotiations with the generally harsh tone the Soviet press has taken toward

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Kremlinologists Pressed to Divine the Way Wind Will Blow

By Bernard Gwertzman
New York Times Service

WASHINGTON — The Reagan administration is looking at the Soviet Union these days through a particularly narrow focus, trying to find out if the Kremlin's leaders are ready for decisive actions to help break the impasse in Soviet-American negotiations and produce arms-control agreements with Washington.

The Kremlin
Leadership in Transition
Third of three articles

This has put pressure on analysts in the Central Intelligence Agency and the State Department, and on outside consultants from universities and research institutes, to help policy-makers trying to discern the intentions, longevity and abilities of Konstantin U. Chernenko and the Soviet political elite.

Government analysts and outside academics agree that Mr. Chernenko is indisputably in charge.

But some officials, looking at his apparently shaky health, his brief tenure at the top and his unfamiliarity with foreign affairs, believe that Moscow is not now able to engage in a constructive give-and-take that could produce mutually satisfactory accords.

They argue that any U.S. initiatives are destined to be disappointing.

Others, pointing to the continuity in the top leadership, particularly the presence of Foreign Minister Andrei A. Gromyko in the Politburo, argue that the Russians are ready for agreements. But, they say, given the caution and consensus thinking in the Kremlin, the United States will have to make concessions to end the deadlock.

The announcement Thursday that Mr. Gromyko and the U.S. secretary of state, George P. Shultz, will hold preliminary talks in Geneva in early January on tackling all the outstanding arms-control issues was viewed by State Department officials as an encouraging sign of movement in Moscow. They said the Russians appeared willing to discuss the suspended nuclear arms-control talks without their previously stated conditions being met.

But at the same time, it remained to be seen what proposals both sides would bring to Geneva and whether progress could be made beyond the preliminary round.

There is agreement here, as there is among Kremlin-watchers in Moscow and in Eastern Europe, that time may run out on Mr. Chernenko before he can assert himself. The experts also agree that he has to rely more than his predecessors on the consent and advice of the other members of the Politburo and the Secretariat, at the top of the Communist Party hierarchy.

There is disagreement, however, on what this means for U.S. policy. Should the United States move to take advantage of whatever time Mr. Chernenko has in office? Or, if there is to be another leadership change, should the United States await the result of the jockeying for power, in which the front-runners seem to be Mikhail S. Gorbachov and Grigori V. Romanov?

A huge bureaucracy here tries to answer such questions. But despite all the resources and manpower, the experts, like weathermen, are often wrong in their predictions.

"You should know that until Andropov's wife showed up for his funeral last March, we didn't know she was alive," a senior official in the Arms Control and Disarmament Agency said recently. "Can you imagine? We've been tracking this guy as head of the KGB and then as the top man in the Kremlin and we don't even know if his wife is dead or alive."

He was referring to Yuri V. Andropov, the former head of the Soviet intelligence and internal-security agency, who replaced Leonid I. Brezhnev as Soviet leader in November 1982, and who died last February. He was replaced by Mr. Chernenko.

A State Department expert acknowledged that there was uncertainty whether Mrs. Andropov had died or not.

"But that's an improvement," he quipped. "When Podgorny became president, we didn't know if he had ever been married." Nikolai V. Podgorny was the Soviet head of state from 1965 to 1977, when Mr. Brezhnev was the party leader and Alexei N. Kosygin the prime minister.

Much of Kremlin-watching consists of culling Soviet periodicals, noting dates when a person takes a new post, and filing that information. The CIA regularly publishes a

(Continued on Page 2, Col. 5)

Chernenko Plans Visit to France, Mitterrand Says

Reuters

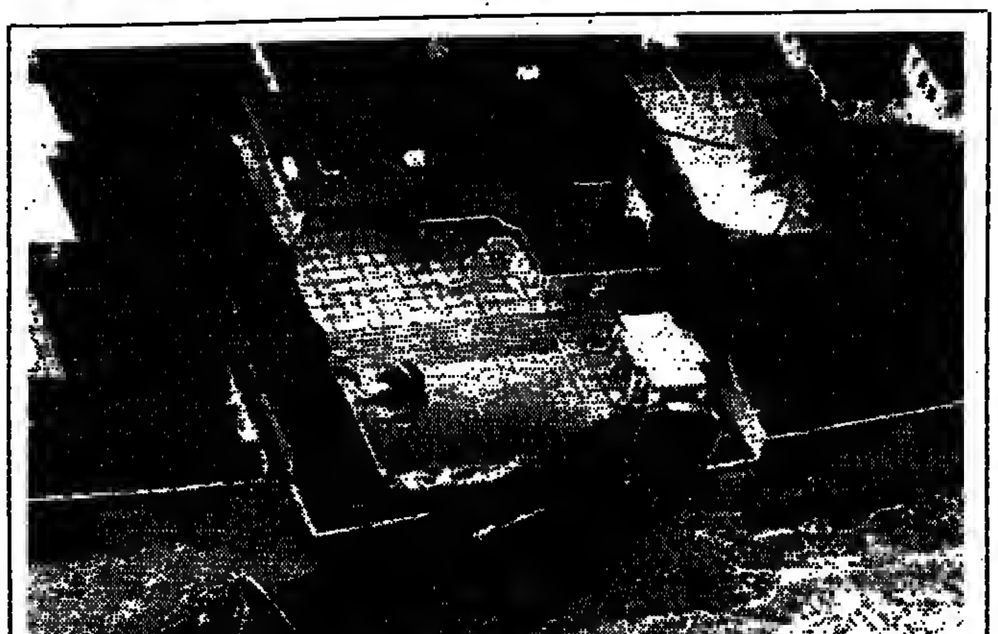
PARIS — President Konstantin U. Chernenko is due to visit France next year, President François Mitterrand said Sunday.

Mr. Mitterrand announced the visit in an interview with Syrian television ahead of his own visit to Damascus starting Monday. He did not give dates for Mr. Chernenko's trip.

The text of the interview was released by the Elysée presidential palace. "Mr. Chernenko will visit us next year in Paris, I think, events permitting," Mr. Mitterrand said. "It is a wish expressed on both sides that this meeting help improve our relations."

"The Soviet Union and France cannot be allies, but we can be friends," he added.

Mr. Chernenko has not traveled abroad since he succeeded Yuri V. Andropov in February.



The Associated Press

BEACHED — A Venezuelan freighter, the Mercedes I, was washed ashore at Palm Beach, Florida, during a three-day storm that caused one death and millions of dollars in damage. The storm forced officials to order the evacuation of about 1,000 people.

Working Women in U.S. Still Face Discrimination

Wage Gap Persists, Despite Increase of Female Workers in Many Professions

By William Serrin
New York Times Service

NEW YORK — Despite years of progress in the workplace, American women still face job discrimination so pervasive that it will be years before they begin to approach parity with male workers, experts say.

"Women clearly are doing much better than they have ever done before," said Janet L. Norwood, U.S. Commissioner of Labor Statistics, who described the increase in the number of working women as "the most striking demographic change in the U.S. labor force in recent decades."

Samuel M. Ehrenhalt, the bureau's New York regional commissioner, said the fact that women spend more of their lives working had had "profound effects on work and society, including lifestyles, living standards, relationships of men and women, the family, the care of children and older people."

But some say changes in the number of women working and the jobs they hold can be deceptive. "We don't have to get men coffee," said Ann Doyle Kenny of Boston, a university research worker, "but those changes are cosmetic."

A number of factors have limited women's progress. One problem, Mrs. Norwood said, is that the bulk of working women are in low-paying jobs, generally in low-paying industries. About two-thirds of working women are employed in service and retail industries or state and local government. Five of the top 10 occupations among women are sales or clerical jobs.

What seem to be permanent declines in manufacturing employment have blunted women's efforts to move into higher-paid blue-collar jobs in such industries as automobiles, steel and rubber. Only one female worker in six is employed in a goods-producing industry.

But in some areas women have narrowed the wage gap. Over the past two years, for example, there has been little or no difference in the beginning salaries offered male and female bachelor's degree candidates in a number of scientific, engineering and social science professions, according to a 1983 survey by the College Placement Council. Recent studies by the Bureau of Labor Statistics found narrow wage differences between men and women in white-collar professions.

In 1983, the bureau said, women under 25 earned 90 percent as much as men of that age. Female elementary school teachers earned 87 percent as much as male teachers, female lawyers 88 percent as much as their male counterparts and female computer programmers 81 percent as much as male programmers.

But in sales, they earned less than 50 percent as much as male sales clerks in 1983, the bureau reported. "All available information points to one basic fact," Mrs. Norwood said. "The earnings of women are generally lower than the earnings of men."

Moreover, since 1960, Mrs. Norwood said, the ratio of women's earnings to those of men has remained at 57 to 65 percent, although a recent study by the Rand Corporation, a research group, predicted that figure would be 74 percent by the year 2000.

"Women are getting more higher-paying jobs," said Karen Nussbaum, president of District 925, an office workers' union, "but you don't see pay scales for women-dominated jobs rising."

Miss Nussbaum attributes the apparent narrowing of the wage gap not to upward mobility of women but to the decline in well-paid manufacturing jobs. That, said Sarah Kuhn of the Massachusetts Institute of Technology, has caused male workers to "skid" into lower economic levels.

Meanwhile, women face new difficulties following the reorganization of work through the use of computers and the export of jobs traditionally done by women, in the textile, shoe, clothing, toy and electronics industries, for example.

"New jobs are being created that didn't exist before, and many women are into these jobs,"

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INSIDE

Palestinian Council Delegates Hear a Heated Attack on Syria

Reuters

AMMAN, Jordan — The Palestine National Council on Sunday heard a heated attack against Syria, which is promoting a boycott of the meeting by opponents of Yasser Arafat, the Palestinian leader.

"Syrian support is like a poisoned dagger in the back of Palestine," said Jassem Alwan, a former Syrian cabinet minister who is now an exiled opponent of President Hafez al-Assad.

Mr. Alwan told the 261 delegates to the council — the Palestinian parliament in exile — that thousands of Communist, leftist and Moslem militants were being tortured in Syrian jails. He accused Syrian security forces of massacring opponents.

Palestinian sources said the presence of Mr. Alwan at the council demonstrated the depth of feeling against Syria, which supported the rebels who helped drive Mr. Arafat out of Lebanon last year.

Syria campaigned against convening the council session, demanding that Mr. Arafat be dismissed as leader of the Palestine Liberation Organization.

Mr. Alwan's comments contrasted with the conciliatory note struck toward Syria in public by Mr. Arafat and Farouk Kaddoumi, head of the organization's political department.

Mr. Kaddoumi blamed Syria for the 18-month rebellion by PLO dissidents and said it was an attempt to bring the organization under Syrian control. But he said the PLO needed good ties with Damascus and reaffirmed its willingness to talk.

■ PLO Cool to Hussein Bid

John Kifner of the New York Times reported from Amman:

A call by King Hussein of Jordan for a Middle East peace initiative based on United Nations Resolution 242 has little chance of winning approval from Mr. Arafat's wing of the PLO, Palestinian sources and Western diplomats said Saturday.

"We're going to ignore it," a Palestinian official said. "We'll refer it to the new executive committee and drown it in a sea of speechmaking and welter of detail."

Resolution 242, adopted after the 1967 Arab-Israeli war, calls on Israel to withdraw from occupied territory in return for recognition of Israel's right to exist.

King Hussein, in a welcoming address to the council, chided the Palestinians and the Arab world in general for wasting time on conflict and recrimination. He invited the PLO to join him in an effort for international talks under UN auspices.

But he said the initiative should be based solely on Resolution 242, which has long been anathema to the Palestinian movement. The Palestinians object to the resolution because it treats them as refugees and does not mention a sovereign Palestinian state.

PLO officials have been politely noncommittal in official statements on the king's proposal.

■ Shamir Rejects Suggestion

Yitzhak Shamir, Israel's vice prime minister and foreign minister, rejected on Saturday King Hussein's recommendation that Israel trade occupied territories for peace, *United Press International* reported from Jerusalem.

SOMALIAN HIJACKING — A Somali Airlines Boeing 707 jet, hijacked Saturday by three Somalian military men, sat Sunday at an Addis Ababa airport as Ethiopian officials negotiated with the men. The hijackers threatened to kill 20 Somalian officials among the more than 100 passengers unless the Mogadishu government released 20 prisoners, including seven they said were to be executed. The demands were rejected.

Iran Accuses Red Cross of Spying

Reuters

TEHRAN — The head of Iran's war information bureau presented documents Sunday that he said supported Iranian allegations of spying by the International Red Cross.

Kamal Kharazi also confirmed for the first time that six Iraqi prisoners of war died last month in a clash at a POW camp at Gorgan in northern Iran. Iran had said five prisoners were killed at Gorgan, 300 kilometers (186 miles) northeast of Tehran.

Mr. Kharazi said Sunday that three Iraqis opposed to the Ba'athist government in Iraq were murdered by other prisoners and three were shot by guards after the prisoners tried to break out of the camp.

The International Red Cross had said three of its observers were in the camp Oct. 10 when the rioting broke and Iranian guards shot to death six Iraqi prisoners.

The Geneva-based organization later suspended activities in Iran. Last week, it called on the 161 signatories to the Geneva Conventions to pressure Iran to stop violations of the convention on treatment of POWs.

The Iranian national press agency IRNA on Saturday accused the Red Cross of spying and violating its traditional neutrality.

Mr. Kharazi reiterated Iran's argument that the camp clash was provoked by Red Cross delegates and said it started when pro-Ba'athist prisoners handed over a list of prisoners who opposed the Baghdad authorities.

He displayed lists of prisoners that he said Red Cross delegates had prepared on other occasions and on which, he said, a Red Cross official had appended prisoners' registration numbers. Such actions represented espionage, he added.

Mr. Kharazi said Red Cross delegates had spoken against Iran to prisoners of war in violation of their neutrality. He also accused the organization of failing in its duty by not inquiring into the fate of 20,000 Iranians he said were missing in Iraq.

Meanwhile, the spokesman for Iran's Supreme War Council said Saturday that Tehran had decided to end its war with Iraq by military means with "an appropriate move at a not too distant future."

According to Tehran Radio, Hashemi Rafsanjani, who also is speaker of the parliament, told volunteer fighters: "We have made our decision. We must finish off the war once and for all and bring peace to the region and our country with an appropriate move at a not too distant future."

Diplomats said Mr. Rafsanjani's comments were the clearest sign that Iran had tired of attempts in several quarters to negotiate an end to the war.

Meanwhile, King Hussein of Jordan appealed Sunday to heads of Arab and Islamic states to stop Iran from committing "crimes" against Iraqi POWs, state radio reported in Amman.

"I urge you in the name of religion and humanity to do whatever you can, personally or collectively, to prevent Iran from perpetrating the worst forms of crimes against Moslem brother prisoners," said the king, a strong supporter of Iraq in the four-year war.

■ Tehran Clash Reported

An exiled Iranian dissident group says several persons were injured and hundreds arrested during a three-hour anti-government demonstration by spectators in and around a Tehran sports stadium, United Press International reported Saturday from Paris.

The Mujahidin movement, outlawed in Iran, said more than 100,000 persons set street fires and chanted "Down with Khomeini" and other anti-regime slogans during an Iran-Bulgaria soccer match Friday in the Iranian capital.

The reported demonstration was not immediately confirmed by Tehran radio or newspapers.

Pravda Sees New Talks as Sign of Détente

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the Reagan administration in the past year.

But Pravda expressed caution about assertions by some American officials that the United States desired better relations with the Soviet Union.

The U.S. administration, Mr. Prozhogin said, began asserting during Mr. Reagan's second presidential term that "it will have no task more important than improving relations with the U.S.S.R." He added, "Well, we shall see."

Mr. Prozhogin emphasized the Soviet insistence that Moscow expects "concrete deeds" from Washington, but appeared to take a conciliatory view of the debate among American officials about the scope of the new talks.

"Talks about talks — let them even be debates — is not a bad thing if, of course, a truth is born of them, as well as the understanding that concrete measures are necessary to improve the atmosphere and put an end to the arms race," Mr. Prozhogin wrote.

■ U.S. Plans a 'Broad' Focus

Earlier, James Gerstenzang of the Los Angeles Times reported from Washington:

U.S. efforts to prepare for the new negotiations will focus on a broad outline for initial discussion, rather than detailed proposals, and Secretary of State Shultz will report back to Mr. Reagan before any decisions are made, an administration official said Saturday.

This week Mr. Reagan is expected to begin a round of conferences with Mr. Shultz, Defense Secretary Caspar W. Weinberger and Robert C. McFarlane, the national security affairs adviser.

The topics are expected to include the tack Mr. Shultz should follow in his initial talks with Mr. Gromyko.

The official said the administration planned on "identifying areas where we can move most promptly and spinning off from the new negotiations some working groups to cover special areas."

These areas could include space weapons, medium-range weapons in Europe and intercontinental ballistic missiles, he said. Other topics that may arise in the overall discussions are chemical weapons, conventional forces in Europe, and confidence-building measures.

The official said actual negotiations were unlikely during the first round of meetings in Geneva, adding, "I don't think the president has to get down to hard decisions about what we must do."

U.S. Scans Signs From Soviet For Clues on Arms Deadlock

(Continued from Page 1)

paperback book that lists every public appearance by senior Soviet leaders; this is a way of helping to tell if a person has disappeared from the public eye for political or physical reasons.

Such work may be tiresome, but it has allowed analysts to chart, for instance, how Mr. Chernenko rose from the ranks on Mr. Brezhnev's coattails.

This is important, officials say, because it indicates that Mr. Chernenko is probably disposed to follow Mr. Brezhnev's policy of détente in foreign affairs. The analysts also say that Mr. Chernenko, at 73, is unlikely to take the kind of actions that might lead to an East-West confrontation.

Mr. Chernenko is not regarded here as a strong or imaginative leader. Many experts consider him the least capable of all the leaders since the death of Stalin. But, as a State Department official said, only Nikita S. Khrushchev, who became Communist Party leader after Stalin died and was removed in 1964, seemed to take personal initiatives.

Mr. Brezhnev and Mr. Andropov both seemed to work through the collective leadership, the analysts say. And even Mr. Khrushchev, they note, had to share power with Prime Minister Georgi M. Malenkov and then with Prime Minister Nikolai A. Bulganin, before taking power as leader of both the government and the party after about four years.

Some experts here expected last summer that Mr. Chernenko, who was clearly in poor health, was about to be replaced. That opinion has been revised, and the experts are working on the assumption that Mr. Chernenko has withstood the political and physical challenges to remain in charge. For how long is a matter of conjecture.

Mr. Chernenko's presumed reliance on his advisers, and the role of those advisers in any negotiations, is also a matter of conjecture. One of those key men, Dmitri F. Ustinov, 76, long the defense minister, has not been seen in public since late September, and is rumored to have had a stroke.

He is regarded here as possibly too ill to remain in the important post. Marshal Sergei L. Sokolov, a first deputy defense minister who has reportedly been in charge of the military establishment since Marshal Ustinov's presumed illness, is reputed to be in line to replace him.

If Marshal Ustinov is replaced, Mr. Gromyko, 75, would be the sole foreign policy and national security expert in the Politburo, giving him enormous influence on policies.

No Soviet leader is better known to Americans than Mr. Gromyko, who was ambassador here during World War II and has been foreign minister since 1957. But there is disagreement here on whether he is ready to recommend the flexibility that could help overcome the divisions between the United States and the Soviet Union.

Of the younger candidates for the top Soviet leadership, Mr. Gorbachov, who is to visit Britain next month, has reportedly been designated by the Soviet authorities as heir to Mr. Chernenko.

He has been called the "second general secretary" by party aides. At last month's meeting of the Central Committee, Mr. Gorbachov, 53, chaired the session when Mr. Chernenko spoke to the policy-making body on agricultural problems. On the annual Nov. 7 holiday in Moscow, Mr. Gorbachov's picture was placed next to Mr. Chernenko's at the Central Telegraph Office on Gorki Street.

Mr. Gorbachov, who was close to Mr. Andropov, may have irritated Mr. Chernenko by appearing to be too eager to replace him, some analysts believe. Western diplomats have reported that since Mr. Chernenko took power in February, they have heard derogatory stories and jokes about him, spread by Soviet officials who are regarded as likely KGB agents.

U.S. Women Still Earn Less

(Continued from Page 1)

said Mary C. Murphree, a consultant to the Federal Women's Bureau, a branch of the Department of Labor. But, she said, many are "low-level word- and data-processing jobs."

That many women remain in low-paying jobs is especially disturbing since many are now heads of households. The government said about 10 million families have no male wage earner.

Large numbers of women have entered the work force. In October, 46.2 million women were at work, accounting for 40.5 percent of the labor force. More than two-thirds of women aged 25 to 54 work. So do three of five women with children, including 46 percent of those with children younger than 3 and 52 percent of those with children younger than 6.

In 1983, 52.9 percent of American women were in the labor force. The comparable figures were 33.9 percent in 1950, 37.7 percent in 1960 and 43.3 percent in 1970, according to the Bureau of Labor Statistics.

Women are moving into occupations traditionally dominated by men. "We're penetrating professions we were not in before," said Lenora Cole Alexander, director of the Federal Women's Bureau.

From 1962 to 1982 the proportion of women among engineers rose from 1 percent to 6 percent; among butchers, from 4 to 16 percent; among physicians, from 6 to 15 percent; among insurance agents, from 10 to 26 percent; among bartenders, from 11 to 50 percent; among bus drivers, from 12 to 47 percent, and among college teachers, from 19 to 25 percent.

Women constitute a majority of insurance adjusters, bill collectors, psychologists and assemblers. And the Bureau of Labor Statistics said women are likely to take 7 out of every 10 jobs created in the 1980s and 1990s.

Many of the 20 occupations expected to grow the most by 1995 are those that traditionally employ women, the Bureau of Labor Statistics said. Among them are legal assistants, computer programmers and bank clerks.

Nevertheless, while "employed women are clearly moving into higher-paying jobs," Mrs. Norwood said, the "actual number engaged in these occupations remains relatively small."

Women lawyers, for example, whose numbers increased more than fivefold to under 100,000 over the last decade, account for only about 15 percent of the profession, she said.

On the other hand, in 1983 the Bureau of Labor Statistics found women accounted for 99 percent of secretaries, 97 percent of typists, 96 percent of registered nurses, house cleaners and servants, 92 percent of bookkeepers and bank tellers, 89 percent of waiters, 87 percent of cashiers, 82 percent of elementary school teachers, 75 percent of food service workers and 70 percent of retail clerks.

Catalyst, a New York-based research group that works to place women on corporate boards, said only about 8 of every 1,000 employed women hold high-level executive, administrative or managerial jobs.

"So few women reach the top," said Mrs. Alexander of the Federal Women's Bureau.

WORLD BRIEFS

126 Poles Flee Ship in West Germany

BONN (NYT) — West German border police say that 126 more Polish tourists on a cruise to West Germany have abandoned a ferryboat with the apparent intention of seeking political asylum.

The incident brings to 428 the number of Polish travelers who have jumped ship in West German ports in the last two weeks, seeking to remain in the West.

A police spokesman said Saturday that 126 passengers failed to return to the ferry Rogalin after a 14-hour stopover Friday in Travemünde, a small port near the East German border. The passengers were expected to seek asylum, he said.

Karpov Victory Ends Chess Stalemate

MOSCOW (AP) — Anatoli Karpov, the world chess champion, scored his fifth victory against Gary Kasparov, also of the Soviet Union, in the world chess final, breaking a record string of 17 consecutive draws and moving to within one game of retaining his crown.

There was a burst of applause Saturday in Moscow's House of Trade Unions when Mr. Kasparov resigned after Mr. Karpov's 59th move. The game had been adjourned Friday.

Mr. Kasparov has won none of the games. Of the 27 played since the match began in September, 22 have ended in draws. Mr. Karpov needs six wins to hold onto his title. The next game was scheduled to be played Monday, unless a player requests a time-out.

Syrian, Lebanese Leaders Hold Talks

BEIRUT (NYT) — Vice President Abdel-Halim Khaddam of Syria has conferred with President Amin Gemayel of Lebanon and senior Moslem and Christian officials on plans to deploy the Lebanese Army in the Beirut area and along the coastal road all the way to the Israeli lines in southern Lebanon.

State-controlled Beirut radio said that the purpose of the Saturday talks was to insure the political support needed to carry out the deployment. In that respect, the most significant development was that Mr. Khaddam brought with him Walid Jumblat, the Druze Moslem leader who has expressed reservations about the plan.

Prime Minister Rashid Karami of Lebanon said after the daylong talks that agreement had been reached on some security measures. He also said that a program had been worked out for guiding the work of the government, but he did not elaborate.

Grenades Fired at Embassy in Lisbon

LISBON (Reuters) — Four rocket-propelled grenades were fired at the U.S. Embassy in Lisbon early Sunday, slightly damaging three cars, an embassy spokesman said. All four projectiles exploded in gardens outside the building, he said.

[Agence France-Presse reported that the leftist guerrilla group FP-25, in a communiqué sent to its Lisbon bureau, had claimed responsibility for the attack.]

FP-25, or Popular Forces of April 25, has claimed responsibility for a series of killings, bombings and bank robberies over the past four years. Police are holding 51 people on charges of being involved in the organization.

Paraguay to Help Hunt for Mengele

ASUNCION, Paraguay (Reuters) — The government of Paraguay has agreed to investigate whether the Nazi war criminal Josef Mengele is in the country and will accept help from foreign specialists, according to Beate Klarsfeld, a Nazi hunter. She indicated that she had information that Dr. Mengele turned 74 in Paraguay in March and was in good health.

Mrs. Klarsfeld said Saturday that the undersecretary of the interior, Dario Filartiga, told her on Friday the ministry would compile a comprehensive file on Dr. Mengele within three months. This would provide a basis to search for Dr. Mengele, who is accused of sending thousands of Jews to gas chambers at Auschwitz during World War II.

Dr. Mengele obtained Paraguayan citizenship in 1959, which was revoked 20 years later. Interior Minister Sabino Montanaro said Friday that Dr. Mengele disappeared about 10 years ago. Mrs. Klarsfeld last visited Paraguay in February when she asked Mr. Montanaro to have Dr. Mengele extradited to West Germany.

FBI Investigates Bid to Buy Germs

WASHINGTON (WP) — The FBI is trying to determine why two Canadian men tried to obtain dangerous tetanus and botulism cultures from a Rockville, Maryland, research facility, an FBI spokesman said Saturday.

Kevin T. Birch, 36, of Toronto, a marketing supervisor for a Canadian telephone company, and James B. Cahoon, 35, a financial consultant from neighboring Mississauga, were arraigned Friday in Buffalo, New York, on conspiracy and fraud charges in connection with the attempted purchase of the cultures from the American Type Culture Collection. The firm provides the material to scientists for research projects at a nominal cost.

Authorities say they have been unable to find a motive for the attempted purchase. "We're trying frantically to determine what this was all about," an FBI agent said.

Vietnam Says China Shells Border

BANGKOK (AP) — Vietnam has accused China of heavily shelling its northern provinces in the past two weeks. It claimed that as many as 5,000 rounds fell between Nov. 19 and 21.

The report Saturday from the official Radio Hanoi came three days after China claimed that frontier guards repulsed a Vietnamese incursion into the southern Chinese province of Yunnan. The Chinese press agency Xinhua said the attack was backed by Vietnamese shelling that killed or wounded several Chinese civilians.

The exchange of accusations appeared to coincide with Vietnamese attacks on Cambodian guerrilla camps on the Thai-Cambodian border in the past week. Diplomats say that China generally steps up pressure on its border with Vietnam to force Hanoi to ease its attacks on Cambodian guerrillas backed by China.

South Africa Sued Over Detentions

WINDHOEK, South-West Africa (Reuters) — Thirty-six members of the South-West Africa Peoples Organization are suing the South African government for assault and unlawful detention, according to their lawyers.

The lawyers said Saturday that the members of SWAPO had been detained without trial for six years. They were among 131 people seized by South African forces after a raid on a SWAPO refugee and training camp at Cassinga, Angola, in 1978. SWAPO is fighting South Africa for the independence of this territory, also known as Namibia.

For the Record

Prime Minister Dom Mintoff of Malta will go to the Soviet Union on Dec. 17 for a visit expected to include talks with President Konstantin U. Chernenko, the Maltese government announced Friday. *(Reuters)*

Representative Charles W. Stenholm, a Texan who heads a group of conservative southern Democrats, said Friday in Washington that he plans to challenge the speaker of the House of Representatives, Thomas P. O'Neill Jr. of Massachusetts, when Democrats in the House of Representatives elect a speaker early next month. *(WP)*

Delors to Present EC Plan

(Continued from Page 1)

tions would be given top priority, but its role could possibly be split between political and trade affairs.

The changes to be discussed at Dublin also include reducing the number of commissioners to one per country. Under the present system, Britain, West Germany, France and Italy each name two members while other EC governments name one commissioner each.

Assuming they enter the community as planned in 1986, Spain will be able to name two and Portugal one, which would bring the total number of commissioners to 17. Many EC governments consider that number unwieldy.

The idea of streamlining the commission is being actively supported by Mr. Delors and Garret FitzGerald, prime minister of Ireland, and by a special committee on institutional reform created by EC leaders at the previous meeting in Fontainebleau, France, last June.

Mr. FitzGerald, who will be chairman of next month's Dublin meeting, told the Center for European Policy Studies in Brussels on Thursday that he also favored the idea of the commission president selecting his own team, instead of having this done by governments.

But officials in several EC capitals helping prepare the Dublin conference said they seriously doubted that the proposal would be adopted in the near future, mainly because of opposition by West Germany and Italy.

Both governments, and to a lesser degree Britain and France, have traditionally favored the idea of maintaining the second commission job as a plum for political opposition leaders. The monthly salary for a commission member is about 724,000 Belgian francs ($11,870) excluding travel and other allowances.

AMERICAN TOPICS

Clark Puts Stamp On Interior Agency

Three assistant secretaries of the U.S. Interior Department have resigned, effective at the end of this month. Officials say this signifies no change in policy. But outside the department, the departures have been widely interpreted as a sign that the new secretary, William P. Clark, intends to continue a steady move away from the confrontational policies of his predecessor, James G. Watt.

Departing are: Garrey E. Carruthers, who is in charge of the department's energy and minerals office; G. Ray Arnett, who runs the fish, wildlife and parks programs, and Kenneth L. Smith, who oversees Indian affairs.

Conservationists have charged that wholesale leasing policies under Mr. Carruthers have endangered the environment. Conservation groups consider Mr. Arnett inflexible, combative and indifferent to parks. Mr. Smith, a member of the Wasco tribe of Oregon, has been been criticized by tribal organizations for accepting heavy budget cuts in Indian affairs programs.

"This is a symbol, I think," said Paul J. Pritchard, president of the National Parks and Conservation Association. It is "reflective of Clark changing the Interior Department from the Watt stamp to the Clark stamp."

Chicago Pushes On With 1992 Fair Plans

Undeterred by the bankruptcy and $100-million losses of the recently-ended World's Fair in New Orleans, organizers of the 1992 Chicago fair are pushing full speed ahead. But members of the Illinois Legislature and the Chicago City Council have yet to give final approval. The fair will celebrate the 500th anniversary of Columbus's arrival in America.

Do 'Hot' Colleges Lead to Hot Lives?

The quality of being "hot" seems to be getting more important all the time for high school seniors and their parents when it comes to picking a college, Michael Winerip reports in The New York Times: "In an unsure economy, they see a 'hot' college as a good investment. Hot colleges lead to hot professional schools, which lead to hot careers and, presumably, hot lives."

Just what everybody means by hot is hard to say precisely. But it includes a high academic reputation with a special campus atmosphere. At Stanford, it's the California weather. At the University of Virginia, it's the tradition and the architecture of Thomas Jefferson. At Brown in Providence, Rhode Island, it is the flexible curriculum.

The 1970s, the years of the Vietnam War and Watergate, were bad for the U.S. Military Academy. Now, with a resurgence of patriotism and conservatism among the young, West Point is hot. Other hot institutions: Duke in North Carolina, Georgetown in Washington and Northwestern in Illinois.

"No magic formula exists, no definitive list has been uncovered," Mr. Winerip cautions. "Into all this must be factored the fickleness of youth."

O Little Town Of Washington. . .

For the first time since a 1973 court ruling halted the practice, a Nativity scene will be featured in the Christmas Pageant of Peace, the annual celebration sponsored by the federal government. The National Park Service said the display near the White House would be in accord with a U.S. Supreme Court ruling in March that a Nativity scene could be construed as a cultural symbol, not a religious symbol, and therefore did not necessarily constitute a government endorsement of Christianity.

On the Sidewalks Of New York

The New York Times reports that a reader, Laurence Klavan, saw a lineup of limousines as well as a contingent of Secret Service officers arrayed before an apartment building near United Nations headquarters. Mr. Klavan asked a police officer on duty nearby, "Somebody famous?"

"If you live in Thailand," was the reply, accompanied by a shrug.

And another reader, Murray Lehrer, said that on a rainy night, as Broadway audiences were streaming out into the drizzle, a vendor was hawking umbrellas in front of the Broadhurst Theater: "Come and get 'em. Only $3 each."

Shortly afterward Mr. Lehrer, having retrieved his car, drove past the vendor, who was shouting, "Come and get 'em. Only $5 each."

Mr. Lehrer leaned out his car window to ask about the $2 increase. The vendor explained, "It's raining harder now."

Notes About People

Senator John Tower, the chairman of the Senate Armed Services Committee, who is retiring in January, says in a parting shot that many weapons programs "are perpetuated because powerful members of Congress dictate that they shall be, beyond military need." Members of Congress often argue that they are only voting for what the Pentagon has requested, to which the Texas Republican replies, "Sure, it's in the


John Tower

department's request because the department has been blackmailed into including it." To exclude the favored weapon would be to incur the wrath of the member, says the senator, and produce adverse votes on arms that the Pentagon really does want. Mr. Tower will become a visiting professor at Southern Methodist University in Dallas.

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Sydney Biddle Barrows, nicknamed the "Mayflower Madam" by the New York tabloid newspapers, has been dropped from the 1985 Social Register. Miss Barrows, 32, a descendant of William Brewster of the Mayflower pilgrims, has been accused in Manhattan Criminal Court of running a million-dollar-a-year prostitution ring.

— *Compiled by* ARTHUR HIGBEE

States Dispute Rosy Fiscal Forecast as U.S. Reviews Aid Cuts

By Robert Pear
New York Times Service

WASHINGTON — A major battle is shaping up over the administration's contention that the fiscal condition of the states is much stronger than that of the federal government and that the states can absorb further reductions in federal aid and the loss of some tax benefits.

State and local officials reply that their fiscal outlook is not nearly so rosy as Treasury studies would suggest. They express fear the studies will be used to justify cuts in federal funds for housing, health and employment programs that they consider vital.

Treasury officials said the states had a cumulative surplus of $6 billion for fiscal years ending in 1984. They estimated this figure would rise to more than $60 billion in 1989 if state tax laws and spending policies continued unchanged.

Robert W. Rafuse Jr., deputy assistant secretary of the Treasury, said, "The fiscal outlook for the state and local sector, relatively speaking, is a lot better than it is for the federal government."

Administration officials said the definition of federal aid would be expanded to include hidden "subsidies" such as the deductions that people take on their federal income tax returns for taxes paid to state and local governments. In the past, such deductions did not figure prominently in the debate over federal aid.

Under a 1983 law, the Treasury is required to study "the long-term outlook for the fiscal condition and fiscal capacity" of state and local governments. The deadline for completion of the study is June 30, 1985. But much of the work has already been done.

Administration officials said some of the preliminary findings were being used in preparing the budget for the fiscal year 1986, which President Ronald Reagan is to submit to Congress in late January or early February.

State officials contend that the Treasury estimates concealed wide variations in the financial conditions of the states and were highly unrealistic. They said the states would have to take greater responsibility for more programs as the federal government scaled back spending to reduce its budget deficit.

Governor Richard L. Thornburgh of Pennsylvania, a Republican, said the Treasury was making "overly optimistic estimates of the states' revenues." He said he had "very serious concerns" about the economic model being used by the Treasury to project state outlays and revenue for the next five years.

Two-year projections of outlays and revenue for an individual state are difficult, he said, so five-year projections would be subject to a big margin of error.

Gerald H. Miller, executive director of the National Association of State Budget Officers, said the Treasury estimate of state surpluses in 1989 was seriously flawed. It took no account, he said, of the large sums that states would have to spend to improve schools, repair roads and bridges, build prisons and expand water-pollution control facilities in the next five years.

Four governors have sent a letter to Treasury Secretary Donald T. Regan complaining about the "rosy projection for state and local financial conditions." The letter was signed by two Republicans, James R. Thompson of Illinois and Robert D. Orr of Indiana, and two Democrats, Rudy Perpich of Minnesota and John W. Carlin of Kansas.

Treasury officials said they would review their estimates in light of the governors' criticism.

To bolster their case that the states were in robust fiscal health, federal officials noted that New York state was considering a reduction in personal income taxes, as recommended by a panel of 25 business and civic leaders.

Federal officials also cited a recent report by the National Conference of State Legislatures that concluded, "The fiscal conditions of most states have improved over the past year." At the end of the fiscal year 1984, the report said, "18 states had balances equal to 5 percent or more of their annual spending, more than twice as many as a year earlier." Only two states, New Hampshire and Vermont, had deficits.

"More states lowered taxes than increased them," the report said. "Excluding very small changes, there were 11 reductions and 7 increases."

Brad C. Johnson, director of the New York state office in Washington, said his state would probably cut income taxes next year.

"But," he said, "bear in mind that New York and 40 other states had to raise taxes in 1982 because the national economy was in such poor shape that state revenues had declined substantially."

Mr. Johnson said the Treasury study was apparently being used "to lay a foundation for massive budget cuts in federal programs administered by the states, such as employment training, housing and Medicaid," which provides medical assistance for the poor.

Treasury officials said federal assistance to state and local governments totaled at least $150 billion a year. This figure is much greater than previous estimates. It counts not only direct federal grants ($102 billion in the current fiscal year) but also deductions allowed under federal law for state and local taxes ($31 billion) and the tax exemption for interest paid on various state and local bonds ($19 billion).

Federal officials estimate that the Treasury loses $6 billion a year in revenue because of such deductions.

The Treasury is studying several proposals to recoup the $6 billion. One proposal would allow deductions only for that portion of state and local tax payments that exceeded 1 percent of a person's adjusted gross income.

Another proposal would set a limit on state and local tax deductions equal to 6.5 percent of a person's gross income. A third would allow a deduction, but only for 85 percent of the state and local taxes that a person had paid. None of the proposals could be adopted without congressional action.

Some of the proposals on handling deductions may be addressed in a major tax simplification study the Treasury is scheduled to deliver to the president by Dec. 1. The study of state and local government finances is separate from the Treasury's work to overhaul the nation's tax system.

Survey in U.S. Finds Unexpected Level Of Assimilation by Moslems' Offspring

By John Dart
Los Angeles Times Service

LOS ANGELES — A new survey of Moslems in the United States shows that the strict commitment to Islamic ideals by the immigrant generation tends to reverse to a dramatic extent among the immigrants' children and grandchildren.

Responses to questions on intermarriage and dating, especially, signaled Moslem assimilation, according to researchers completing a two-year study of religious and cultural values among the estimated 2.2 million Moslem Americans.

The study, funded by the National Endowment for the Humanities, is based on questionnaires and interviews with Moslem immigrants, their children and grandchildren living in New England, upper New York state and the Middle West.

The study was headed by Yvonne Y. Haddad, a specialist in Islamic studies, and Adair T. Lummis, a sociologist, both of the interdenominational Hartford Seminary in Hartford, Connecticut.

In one section of the study, they explored attitudes toward marriage out of the faith. In heavily Moslem countries, women, but not men, are normally prohibited from marrying non-Moslem partners.

The survey found that immigrants said that Moslem women should remain single rather than marrying outside the faith by 59 percent to 23 percent, with 18 percent expressing mixed feelings. But 52 percent of second-generation American Moslems said they would not require women to remain single.

The study also found that Moslem immigrants were against men 18 and older going on unescorted dates by a 51-percent to 25-percent margin. But two-thirds of those who said they were children of immigrants said that young male adults should be allowed to date.

Traditional Moslems tend to fear that the American custom of dating without chaperones will lead to drinking and premarital sex — the latter an offense still punishable by death in some Moslem countries.

The surveyers said that Moslems who agreed with typical American ideas on the freedom to date and intermarry also were likely to be lax about practices such as fasting during the holy month of Ramadan, attending Friday prayer services, reading the Koran and praying five times daily.

"Such Moslems with more 'Americanized' values in these areas, if they are fairly young or young middle-aged adults," the researchers said in a paper, "are also likely to engage in activities restricted or prohibited by Islamic codes such as going swimming at a public beach, going to an American-style couples dance and occasionally taking an alcoholic drink."

Miss Haddad, the author or co-author of two books on Islam, said in an interview that while cultural assimilation is expected to occur among all immigrant groups, the shift in attitudes and practices among American Moslems was remarkable considering the strict interpretations of the faith in many predominantly Moslem countries.

She said she was particularly surprised to learn of a large number of Moslem women who were married to Christian men.

Miss Haddad added, however, that some Moslems believe that the Koran and Islamic legal tradition must be interpreted to fit the surroundings. Requirements such as prayer five times daily can be impractical in a non-Moslem country.

Asked how strictly Islam should be observed, 46 percent of those surveyed said "strictly," 36 percent said "moderately," and 18 percent said "adjusted, if necessary."

Miss Haddad said the acculturation of Moslems in the United States also might be spurred by a broad desire to be accepted as "good people" with an upright lifestyle and a religion with the same God as Christians and Jews.

"Desire to be accepted by non-Moslems in the United States," the researchers said, "might predispose Moslems to change some of their practices to accord more closely with those of their American neighbors, co-workers, fellow students and friends."

About three-fourths of the respondents said they believed that wars in the Middle East have had a damaging effect on the way Americans view Moslems. Nearly 60 percent said they believed that most Americans had at least some apprehension about the possible spread of Islam in the United States, although nearly one-third said they believed most Americans were indifferent.

Miss Haddad, who is not a Moslem, said it was difficult in some cases to win the trust of Moslems for survey purposes, even though four Moslem researchers headed the field work.

2 Russians Jailed In Escape Effort

Reuters

MOSCOW — Two Russian rock musicians caught trying to leave for to the West have been imprisoned after a trial in Leningrad, the Tass press agency reported.

Tass said Valeri Barinov, 40, and Sergei Timokhin, 26, were members of a band named Trumpet Call. It said Mr. Barinov was sentenced to two years and Mr. Timokhin to two and a half years.

Tass said that for years the two had smuggled information to the West on the treatment of religious believers in the Soviet Union.

New Train Plan For Los Angeles, San Diego Fails

New York Times Service

LOS ANGELES — A plan to build the first high-speed rail track in the United States, between Los Angeles and San Diego, has been scrapped because of a lack of U.S. investors, the promoters said last week.

Lawrence D. Gilson, president of the American High Speed Rail Corp., announced that the company had obtained commitments for only about half the $50 million it needed to complete planning for the $3.1-billion project. He blamed a lack of "large-scale sources of risk capital for private ventures" in the U.S. economy.

Opponents, who included residents of the seaside towns between California's two largest cities, attributed the failure to skepticism that the train would lure enough travelers away from their automobiles to make the system profitable.

The train service was to have run on a 113-mile (183-kilometer) route from central Los Angeles to central San Diego at speeds of up to 160 mph (260 kph). It would have made the trip in 59 minutes nonstop, or 90 minutes with three or four stops, including one at Los Angeles International Airport. Trains now take two and a half hours to make the trip.

U.S. Blacks Urge Campaign Against South Africa

New York Times Service

WASHINGTON — Three black leaders arrested last week for staging a sit-in at the South African Embassy in Washington have called for a national campaign to oppose South Africa's policy of racial separation.

"We must support Mother Africa," Walter E. Fauntroy, delegate to Congress from the District of Columbia, said Friday. "Our efforts thus far on the streets and in the Congress have met with no success, so we move our struggle to a new level."

Mr. Fauntroy was arrested Wednesday at the South African Embassy along with Mary Frances Berry, a member of the U.S. Commission on Civil Rights, and Randall Robinson, the director of TransAfrica, a black lobbying group.

The three pleaded not guilty on Thursday to charges of unlawful entry and were released without bail, pending a preliminary hearing Dec. 20.

Mr. Robinson said the campaign was meant to win the release of all black leaders imprisoned by Pretoria since 1961 and to encourage negotiations between black leaders and the South African government on sharing power. Another goal is to compel the Reagan administration to abandon its policy of "constructive engagement" toward South Africa, he said.

"We have had enough," Mr. Robinson said, calling the administration's approach to South Africa "a policy that embraces the most vicious system of government since Nazi Germany."

He added: "Our objective is to focus American opinion on the policies of the South African government, and to put the issue squarely in the middle of the American political agenda."

Opponents Say Sandinists Restrict Travel

By Stephen Kinzer
New York Times Service

MANAGUA — About a dozen leading Nicaraguan opposition figures say that for the last three weeks, since the national election overwhelmingly won by the Sandinist National Liberation Front, they have encountered many obstacles in trying to leave the country.

The Sandinist government has not announced any new policy on travel by opposition figures, but one appears to be in effect. Senior government officials did not respond to requests for interviews on the subject.

Lieutenant Miguel Necochea, spokesman for the Interior Ministry, said Friday that the government had no list of people to be prevented from leaving the country. "We have no policy of denying visas to anyone," he said.

As far as could be determined, all of the opposition leaders who recently have encountered travel difficulties have ties to the Democratic Coordinator, a coalition of political parties, labor unions and business groups that incurred the wrath of the Sandinist Froot when it refused to take part in the recent electoral campaign.

The coalition nominated Arturo José Cruz, an economist, for president, but then refused to register his name on the ground that the government was not allowing political rivals enough freedom.

At times in the past, the government has temporarily restricted travel for some oppositioo leaders, but no such restrictions are known to have been imposed in the last year. Under emergency powers adopted after the outbreak of civil strife three years ago the government has some powers to restrict travel by Nicaraguan citizens, but it has not invoked them.

Travel among Central American countries is common, and many businesses rely on commerce within the isthmus. Nicaraguan opposition leaders and the Sandinists often travel in searcb of international support for their political positions.

Some of those who have been unable to leave Nicaragua said they thought that the government's motive was to prevent them from denouncing the Sandinists in foreign countries. Others speculated that because the government fears an imminent invasion from the United States, it may want to be sure opposition leaders are in the country when it comes. The United States has denied thai any invasion is planned.

"Perhaps they would use us as hostages if anything were to happen in the country," suggested Juan Ramón Aviles, a lawyer who works for the Superior Council of Private Enterprise, Nicaragua's main business federation.

Mr. Aviles and several leaders of the council, which is known as Cosep, are among those who have had trouble leaving the country. Enrique Bolaños Geyer, who said his passport was mutilated after he presented it at the Managua airport, is the group's president.

Francisco Javier Calderón, executive secretary of another Cosep-affiliated group, the National Council of Professionals, said he was planning a trip through nearby countries to meet with sympathetic political and civic groups. As is the custom in Nicaragua, he submitted his passport and other required documentation to the authorities 15 days before he was to leave.

"They told me to pick up the passport on Nov. 16," Mr. Calderon said. "When I got there, they said to come back three days later. When I arrived the second time, a Lieutenant Carlos Granera came out and told me that my passport had accidentally been sent to Special Zone I, and could not be found."

Special Zone I is a large administrative district covering the northern part of isolated Zelaya Province on the Atlantic coast of Nicaragua.

Lieutenant Granera said he was not authorized to give any information about government policy on travel for opposition figures. But one of his aides, Lieutenant Ruth Zepeda, said the agency "is not preventing anyone from leaving."

Several other opposition leaders, such as Luis Rivas Leiva of the Social Democratic Party, Erick Ramirez of the Social Christians, and José Espinoza of the Confederation for Trade Union Unity, said they had received no responses to requests for visas, new passports, or passport renewals.

"Uoder their emergency powers, they have the right to keep people from leaving," said Mr. Aviles. "I wish they would just publish a list and tell us which people are forbidden to leave and for how long, so we don't go through this charade."

■ Radio Said Censored

The authorities have placed oew censorship rules on a Roman Catholic radio station that has been broadcasting homilies by church officials critical of the government, the radio's manager told The Associated Press in Managua.

The move was the latest in a series of measures tightening censorship on Nicaragua's news media, following a relaxation of the controls before the Nov. 4 general election. The restrictions were announced as part of a military state of alert declared by the government Nov. 12 because of fears of a U.S. invasion.

Nelba Blandon, bead of the censorship office in the Interior Ministry, called Radio Católica on Friday to notify the station that the homilies it transmits every Sunday must be submitted to censors in advance, the radio manager, Alberto Carballo, said.

In other developments, oews agencies reported:

• Edgar Chamorro, a leader of the Honduras-based Nicaraguan Democratic Force, confirmed Saturday that be had received a letter informing him of his dismissal from the rebel group's directorate. Mr. Chamorro, who had been criticized by Honduran officers and U.S. Central Intelligence Agency advisers because of his often frank descriptions of insurgent actions, said he thought he had been dismissed at the bebest of the CIA. *(WP)*

• Daniel Ortega Saavedra, the coordinator of Nicaragua's ruling junta, said Friday night oo a radio broadcast from Managua that the U.S.-backed rebels have caused $400 million in direct damage to Nicaragua's economy. *(AP)*

• Nicaragua proposed a nonaggressioo pact with the United States at talks in Mexico last week, but the U.S. envoy, Harry W. Shlaudeman, rejected the idea, Nicaraguan sources close to the talks said. *(Reuters).*

U.S. Asserts Czechoslovak Jets May Be Bound for Nicaragua

Washington Post Service

WASHINGTON — The United States has spotted crates of Czechoslovak L-39 jet trainers on the docks at the Bulgarian seaport of Burgas and intelligence officials think they are destined for Nicaragua, according to government officials.

The officials refused to discuss why the planes were thought to be headed for Nicaragua.

A similar report that Soviet MiG fighters were on their way to Nicaragua led the Reagan administration to warn the Sandinist government in early November that the United States would not tolerate the acquisition of such advanced jets.

But the MiG report has not been borne out. The ship that allegedly was carrying the MiGs has docked in Nicaragua, unloaded under U.S. surveillance and steamed off toward other ports.

The L-39 is a two-seat trainer plane that can be converted to a light bomber. It has a combat radius of about 300 miles (486 kilometers) and has fittings for bombs, rockets and guns.

U.S. officials said they think that Libyan leader, Colonel Moamer Qadhafi, is the source of the L-39s. According to Pentagon officials, Colonel Qadhafi has more Soviet planes than he has trained pilots to operate them.

Officials said there are "a few" L-39s in Burgas that have been awaiting shipment for some time. They declined to say how U.S. intelligence concluded the L-39s were headed for Nicaragua or how they came to suspect the source as Libya.

Dozens Arrested in New Chilean Raids

Washington Post Service

SANTIAGO — Coovoys of beavily armed police and troops backed by helicopters have raided at least seven oeighborhoods, arrested dozens of persons and threatened violent repression of any demonstration against the government of President Augusto Pinochet.

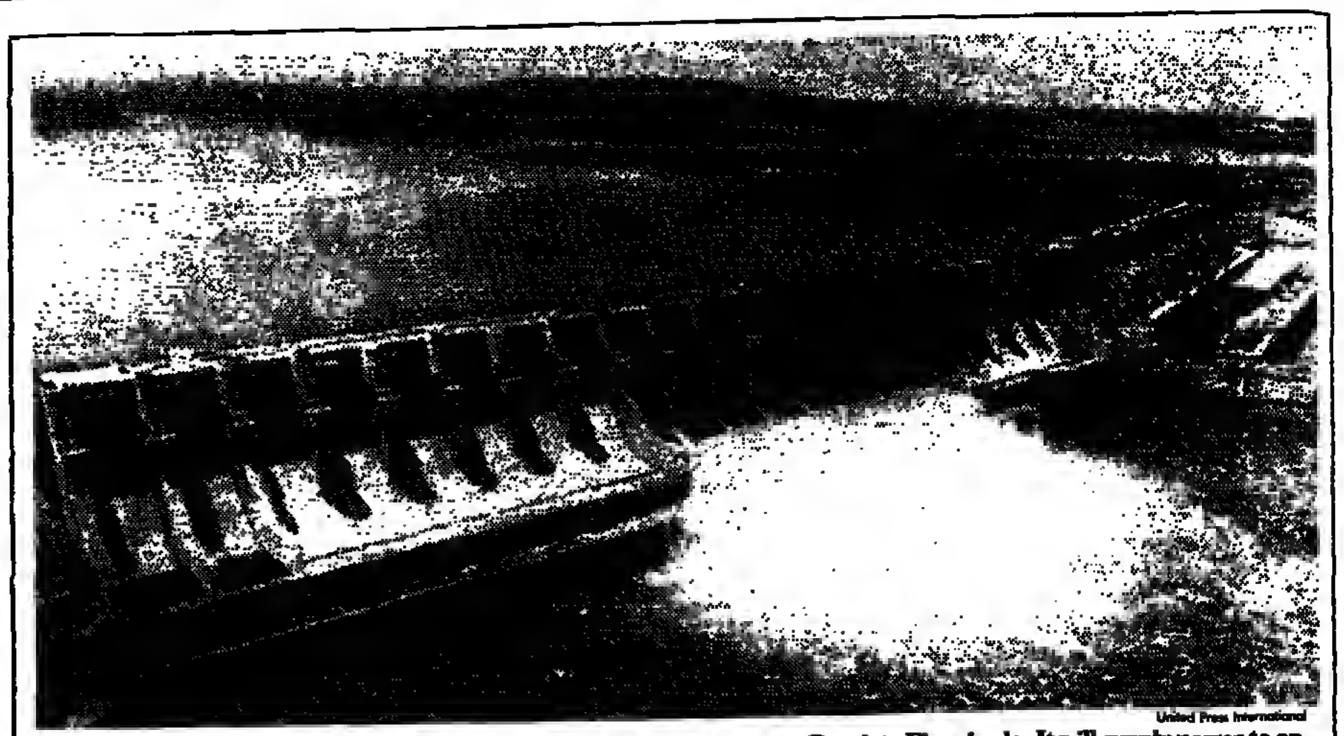
In the widest-ranging military operatioo since General Pinochet declared a state of siege Nov. 6, districts of low-income housing around Santiago were invaded almost simultaneously Saturday.

The object of the raids appeared to be to intimidate residents with a show of force only three days before planned nationwide anti-government demonstrations.

The authorities had offered no information by late Saturday on the raids, and Chilean media had not been allowed to report on them. Officials at the Chilean Human Rights Commission said that at least 50 people had been jailed and many others detained temporarily.

The display of force followed other government moves in the last several weeks that are seen as attempts to silence the political opposition, drive leftist parties underground and remove criminals and activists from the streets.

Hundreds of people have been arrested in their homes or offices and interrogated in barracks or secret police installations. There have been isolated reports of torture, although none of deaths.



United Press International

TURNED ON — One of the world's largest dams, at Tucurui in Brazil, was inaugurated last week by President João Baptista Figueiredo. It will supply power to an industrial and mining project in the eastern Amazon.

Duarte to Sit Out Procedural Talks With Rebels

By James LeMoyne
New York Times Service

SAN SALVADOR — President José Napoleón Duarte has said he *will not attend peace talks with* rebel officials this week because the meeting is intended to deal only with procedural matters for future negotiations.

The announcement Friday by the Salvadoran leader was the first public indication that this week's meeting, the second between government and rebel leaders in El Salvador, *was not likely to result in* decisions on substantive issues.

[Arturo Rivera y Damas, the Roman Catholic archbishop of San Salvador, who is acting as intermediary *between the two sides, said* the meeting would be held Friday, according to The Associated Press. He said the locatioo of the talks would not be disclosed until later "for security reasons."]

Mr. Duarte said he already had decided who would be in the government delegation to the talks but be declined to identify them.

"This is a committee meeting," he said. "This is not a place I sbould go. This is to discuss the mechanisms and the president will not go out to discuss who is going to talk first, who is going to talk second."

Mr. Duarte also put aside the possibility of an early cease-fire in the *five-year civil war.*

"I believe that a cease-fire is the last part of the process of peace," he said. "I would not consider any possibility of a cease-fire until we have the answer of the guerrillas to change their concept of obtaining power through violence."

He said a cease-fire would come after the rebels had agreed to incorporate themselves into "the democratic process."

Mr. Duarte proposed and attended the first meeting with leaders of the leftist rebel groups last month in the northern town of La Palma amid high hopes and widespread poblicity.

His decision oot to attend this week's meeting appeared to indicate acceptance of the rebel proposal three weeks ago that both sides send low-level delegations to discuss guidelines and an agenda for future talks.

Héctor Oqueli, a leading rebel official, said that Mr. Duarte's decision was not surprising. He added that it also was unlikely that the chief rebel spokesman, Guillermo Ungo, would go to the meeting. The rebel delegation, he said, would be announced Monday and would include "people from inside El Salvador."

Mr. Oqueli said the rebel representatives would discuss ways to "humanize" the war, to "incorporate other social sectors" into the talks and to "accelerate the process toward peace." He said the rebels also were willing to discuss a Christmas truce or a more extended cease-fire.

The rebels' interpretation of "humanizing" the war appears to be aimed at limiting the Salvadoran Army's ability to bomb rebel-held areas where there are civilians. Army commanders reportedly have told Mr. Duarte that they oppose such limits.

Government officials also have expressed suspicion of the rebels' intentions in wanting to "incorporate other social sectors" into the talks. The officials said they feared losing control of meetings in which unions and other groups sympathetic to the rebels would be included.

A Salvadoran source who has been involved in government sessions oo strategy for the talks said that leading army commanders had told Mr. Duarte that the army would not accept a cease-fire or other arrangements that might limit military action unless such measures were explicitly approved by the army itself.

Mr. Duarte said he expected the rebels to reply to a written proposal he made in La Palma that called for the creation of a joint commission to discuss ways for the rebels to join the political process and to enact a general amnesty.

The Salvadoran leader's decision not to attend the talks may indicate a more cautious approach to the negotiations. Such caution might have been prompted by growing criticism from conservative business and political leaders, some of *whom are known* to have urged army commanders to oppose negotiations with the guerrillas.

■ Rebels Attack Coffee Plant

Leftist guerrillas damaged machinery in a major coffee processing plant near Chalchuapa, 50 miles (80 kilometers) west of San Salvador, late Friday but were driven back in another attack on the 5th of November Dam, 45 miles oortheast of the capital, military sources told The Associated Press.

In New Caledonia, Separatists Set Up a Regime

By John Vinocur
New York Times Service

PARIS — Separatists on the French island of New Caledonia announced the creation of a so-called provisional regime Sunday, leading five former French prime ministers, all Gaullists, to denounce what they said was the Socialist government of France's failure to cope with "an insurrectional situation."

Violence continued in the South Pacific territory, according to French oews agency dispatches, accelerating what has become a volatile political problem for President François Mitterrand. More than 20 years after France left Algeria following a colonial war, the Socialist government was faced with accusations of turning its back on New Caledonia's Europeans, who make up 37 percent of the population of 140,000.

Dispatches from Nouméa, the territorial capital, said the leading organization favoring independence, the Kanak Socialist National Liberation Front, announced the creation of a provisional government, which the group described as "setting up the basis for the future state of Kanaky."

In a Sunday morning debate in the Senate in Paris, where the *budget for French overseas possessions* was under discussion, opposition senators held the Socialist government responsible for the "insurrectional situation" in New Caledonia. Charles Pasqua, the Gaullist floor leader, asked Georges Lemoine, the president's cabinet-level official responsible for overseas territories, "What do you intend do against this independentist government that has set itself up illegally against the authority of the Republic?"

Mr. Lemoine dismissed the question by replying that it was "a diversion," and the Gaullist senators walked out in protest over his answer.

On Saturday, the French government attempted to calm the violence in New Caledonia by saying that it would speed up the process of self-determination, and that this could include independence. The *fighting,* in which four French policemen have been wounded, grew out of attempts by the Kanak front to boycott an election last Sunday for a territorial assembly. The legislature was to bring the island a greater degree of antonomy, leading to a referendum on self-determination in 1889.

But the violence intensified when *an anti-independence party, allied* to the Gaullists and made up largely of Europeans, won a clear victory.

Mr. Mitterrand's governmeot has indicated that it would oot contest an attempt by the Kanaks to have the election canceled. The front maintains that only Kanaks may participate in any vote on self-determination.

Sensing Mr. Mitterrand's growing political weakness following the botched withdrawal of French and Libyan troops from Chad, the opposition has seized on the situation in New Caledonia, portraying it as a new example of the government's weakness and incompetence. This was the theme of a statement issued Sunday by five former Gaullist prime ministers, Michel Debré, Maurice Couve de Murville, Jacques Cbaban-Delmas, Pierre Messmer and Jacques Chirac.

They called on Mr. Mitterrand not to become involved in a movement toward independence that they said was rejected by the majority.

Kohl Cabinet Said to Oppose Sea Pact

By John Tagliabue
New York Times Service

BONN — A majority of the West German cabinet is now opposed to signing an international convention on controlling the use of the sea and its resources, according to a senior aide to Chancellor Helmut Kohl.

The United States has announced it will not sign the accord, known as the International Law of the Sea Convention, and Bonn government officials disclosed last month that President Ronald Reagan had strongly urged West Germany to refrain as well because of provisions on seabed mining.

Five European Community countries — Denmark, France, Greece, Ireland and the Netherlands — have signed the convention; three others — Belgium, Italy and Luxembourg — are understood to be awaiting a West German decision before make their *own decisions.*

The aide to Mr. Kohl said last week that the chancellor had mustered a clear majority for a compromise decision not to sign the treaty but not to oppose its signing by the full European Community.

The official said that the British government was expected to take a similar position when EC foreign ministers meet early this week to discuss the treaty.

The European Community may sign the treaty as a group, provided *a majority of its 10 members and its* executive body, the Council of Ministers, approve.

West German companies are leaders in seabed-mining technology. In 1972, three metal trading companies — Preussag AG, Metallgesellschaft AG, and Salzgitter AG — pooled their resources to study the feasibility of mineral recovery from the ocean floor.

Although a lack of demand for primary metals and low world prices have caused most plans to be put off, West Germany retains a lively interest in the matter.

Bonn has come under strong pressure from the French to sign the accord, and the issue has badly split Mr. Kohl's government, pitting Foreign Minister Hans-Dietrich Genscher, a proponent of signing, against opponents in his own business-oriented Free Democratic Party and the chancellor's Christian Democratic Union.

Mr. Genscher proposes tbat West Germany sign the treaty, but, like Japan and France, refuse to ratify it witbont substantial *changes.*

Other Free Democrats object, like the Reagan administration, to provisions setting up an international authority to regulate mining of seabed resources. The convention provides for transfers of mining technology from industrialized to developing nations.

The pact has been signed by 138 countries, including many developing countries, the Soviet-bloc nations, and industrialized countries such as Canada and Japan. Ratification by at least 60 countries is needed for it to take effect.

Spain Rightists Honor Franco

Reuters

MADRID — Ao estimated 50,000 rightists marched through Madrid on Sunday to mark the ninth anniversary of the death of Franco, who ruled Spain for 36 years. Many of the marchers wore paramilitary uniforms.

A.F. Vatchenko Dies; Ukraine Leader Was 70

The Associated Press

MOSCOW — Alexei F. Vatchenko, 70, president of the republic of the Ukraine and one of 15 deputy presidents of the Soviet Union, has died, Soviet television has announced.

Mr. Vatchenko had been a member of the Communist Party Central Committee since 1966 and chairman of the presidium of the council of ministers of the Ukraine, *or president, since 1976.*

That post automatically made him the equivalent of a national vice president, along with the presidents of the 14 other Soviet republics. His death was announced Thursday.

■ *Other Deaths:*

Victor D. Ulyanov, 67, a nephew of the first Soviet leader, Vladimir I. Lenin, *died Thursday, newspapers* announced Sunday. Moskovskaya Pravda said Mr. Ulyanov took an active role in maintaining Moscow's Lenin museum and other Lenin memorials.

Arvid Yansons, 70, conductor of the Leningrad Philharmonic, died Wednesday of a heart attack while in Manchester, England, to *conduct the city's Hallé Orchestra,* the orchestra announced.

Conditions at Ethiopian Camp Are Better, at Least for Now

By Clifford D. May
New York Times Service

MAKALLE, Ethiopia — The scenes of borror are still there: a mother thrusts ber baby at a visitor so that he may better view its loose, sores-covered skin and sunken, yellowed eyes.

Old men, sitting on the ground, their faces vacant, look as if they are waiting for the dust to claim them. Rows of wasted bodies covered with ragged shrouds and innumerable flies, the dawn harvest of another night of hunger to this nurtheast African natinn.

But that is no longer the only kind of scene a visitor sees in Makalle, the site of one of Ethiopia's largest famine refugee populations, about 300 miles (480 kilnmeters) north of the capital of Addis Ababa.

Hundreds of infants at Makalle are eating vitamin-enriched porridge and high-calnrie biscuits. Older children are running and playing. Neat rows of white tents provide families with shelter from the evening cold, and doctors and nurses tend the sick.

"We've come a long way in a short time," said Sister Margaret of Catholie Social Aetion, a relief agency working in Makalle.

"The feeding program is working," she said. "The ehildren in partieular are responding very well." The question is whether the ground gained bere and other famine-relief centers can be held.

Ethiopian government officials say that to recent days the flow of emergency food supplies gathered in an international relief effort that includes the United States and the Soviet Union has begun to taper off dangerously. It is possible, they say, that within a matter of weeks, many of the camps and feeding centers may begin to run short.

"There is hardly anything left in the port to elear anymore," said Tafari Wassen, of the government's Rescue and Rehabilitation Commission. "And many airplanes that should be delivering grain are now not to use."

The lives of six million to seven million people are believed to be at risk in this country, whose total population, according to an unpublished census, is more than 42 million.

Since late October, death rates in many camps have fallen by as much as two-thirds. Relief officials say, however, that the progress at centers like Makalle is only part of the story. Eighty-five percent of the Ethiopian population, they say, lives in rural areas, and 60 percent of those people are more than two days' walk from the nearest road. That means tens of thousands of famine victims will never be able to reach the help they need.

Western experts estimate that half a million Ethiopians are now receiving food every day in about 100 refugee camps and feeding centers.

"For three years now, I have grown almost oo crops at all," said Berhe Abrha, a rail-thin 44-year-old farmer from Koya, a village several hours' walk from Makalle. "So my wife and my four children came here for food. We are thankful. We thank God for the help we are receiving."

At Makalle, 30,000 to 40,000 refugees are receiving help in five separate camps, and 15,000 more people are in the process of applying for admission. Hundreds arrive every day.

"Things are getting organized slightly," said Bekele Genene, a 30-year-old Ethiopian medical resident who is serving as a volunteer at Makalle. "For the moment, we have enough food, and that makes an enormous difference. We're setting up elinics in all the camps. We do need more medicine, though. We haven't nearly enough medicine."

In Tigre province, of which Makalle is the capital, as in Eritrea to the north, guerrilla activity by secessionist rebels continues just beyond the outskirts of the cities, complicating the process of getting food to people and people to food.

The airfield at Makalle, which is 7,320 feet (2,220 meters) above sea level, is guarded by tanks and helicopters.

But the largest obstacle to the success of the Ethiopian rescue effort is almost certain to be the famine's duration. An emergency is expected to continue in this country for at least the next 12 months. Only half as much aid as will be required over that period, according to many estimates, has been donated or pledged.

Western diplomats say that the cost of keeping Ethiopia fed until the end of 1985 will be more than $500 million. And there is no guarantee that the famine will not extend through 1986 or longer.

The Associated Press
A child with a cooking pot sits with other children at a famine relief center at Makalle, in Ethiopia's Tigre province.

Group Seeks Eritrea Aid, Says Ethiopia Interferes

By Joseph Berger
New York Times Service

NEW YORK — An appeal has been made for food and other aid fur 1.5 million people in the Ethiopian province of Eritrea, where famine has been aggravated by civil war.

An organization called the Eritrean Relief Association said in recent messages to governments, relief agencies and newspapers that the Ethiopian government had hampered efforts to supply food to Eritrea even though famine was as severe in that northern province as it was in the rest of the country.

The government has denied the allegation.

The association said that private relief agencies had been discouraged from working in Eritrea and that Ethiopian jets and helicopters had been bombing animals and crop fields to destroy civilian food sources on which the Eritrean rebels depend.

"We are entering a critical period," the association said to the messages. "The oumber of people on the verge of death due to starvation has reached more than half a million. Another one million people are also going hungry."

The association, based in Khartoum, Sudan, said it was the agency responsible for the distribution of relief aid to the parts of Eritrea under the control of the Eritrean People's Liberation Front, the main rebel group fighting for independence since 1961.

The territory, joined to Ethiopia in a United Nations-sponsored federation, was annexed in 1962. The rebels say they control 80 percent of Eritrea.

The government describes the rebels as bandits and calls the association's allegations "a monstrous lie" and says government relief centers are feeding people.

"It is not government policy to bomb animals on which the livelihood of our people depend," said Tamene Eshete, Ethiopia's chargé d'affaires in Washington. It is the rebels, be said, who are disrupting food distribution with "armed raids on food supplies for their personal need."

Paulos Tesfa Giorgis, chairman of the Eritrean Relief Association, has been on a weeklong visit to the United States to meet with relief agency officials and argue for more food.

In an interview, he said less than 11,000 tons of grain were now being distributed in Eritrea, scarcely enough to feed 500,000 people for a month.

Mr. Giorgis said his group was urging governments to press fur a cease-fire to permit the unhindered distribution of food. Lieutenant Colonel Mengistu Haile Mariam, the Ethiopian leader, recently ruled out such a truce.

Mr. Giorgis said he felt the government, not the drought, was to blame for the shortages.

"Drought is not totally new to Eritrea," he said. "But in the past we have been able to take care of the animals and the crops."

6 Are Killed as Philippine Troops Battle Moslem Family in Zamboanga

United Press International

ZAMBOANGA, Philippines — Philippine soldiers and a Moslem family fought a gunbattle Sunday in central Zamboanga that left six people dead and 13 wounded before an overnight truce was negotiated.

The battle appeared tn be related to the slaying of the city's mayor, César Climaco, on Nov. 14. Sources said members of the Moslem family were among the suspects in the murder.

The family, which the authorities said has about 100 members, remained barricaded for the night to a compound that iocludes a wall enelosing two houses and several shacks.

A Red Cross volunteer who spoke with some of the wounded said that 20 to 30 members of the family were armed and as many as 40 ehildren were io the compound.

The house is owned by the brother of a Moslem police lieutenant, Abdul Rasad Ali, who was killed Oct. 10 by unidentified gunmen at a military checkpoint near Mr. Climaco's home.

Military sources said the Ali family believed that Mr. Climaco was responsible for the lieutenant's death. Members of the clan were suspected of plotting the mayor's murder io revenge.

The military had been preparing to search the compound for weapons when members of the family opened fire with automatic rifles and other weapons.

Among the six known dead were four military personnel — including a driver and nurse in an ambulance — and a civilian caught in the cross fire.

One member of the Ali family was killed. He was identified as Lieutenant Ali's brother-in-law, Sergeant Reno Ferolina of the Philippine Constabulary.

On another front, Moslem rebels who kidnapped two Americans on a remote southern Philippine island have demanded a $25,000 ransom, military officials said Saturday.

Two Filipino guides abducted with the Americans five days ago may have been killed, the officials said, but the Americans were believed to be alive.

A police spokesman said the abductors had given the anthorities 15 days to meet their ransom demand.

Alan Croghan, a U.S. Embassy spokesman to Manila, identified the Americans as John Rabaner and Helmut Herref and said they were both tourists. But police in Zamboanga said the two hostages were volunteers working with the Zamboanga Missinnary nf the Medical Ambassadors, which extends medical assistance to depressed areas.

The Americans and their guides were abducted from a bus on Jolo, one of a string of islands in the Sulu archipelago between the Sulu and Celebes Seas.

■ Arson Blamed in Hotel Fire

Arson was responsible for a fire that killed 25 people and destroyed a hotel in Baguio on Oct. 23, the authorities told Agence France-Presse on Sunday. An investigator said that an early theory that faulty wiring had caused the blaze at the Pines Hotel "has been completely ruled out." Baguio is a resort town about 125 miles (200 kilometers) north of Manila.

In Purge, Chinese Party To Review Memberships

The Associated Press

BEIJING — China's Communist Party is preparing a re-registration of its 40 million members that could be the most sensitive phase of a purge begun 13 months ago tn remove radical opponents of iis senior leader, Deng Xiaoping.

The party newspaper Renmin Ribao, or People's Daily, gave prominent display Saturday to a directive by the party's "rectification" committee calling on all branches to "earnestly carry out organizational work for re-registratinn."

The directive did nnt say when the process would start, but said that "for the most part, re-registration work of party members can be completed in one month."

Western diplomats who were asked about the directive said it could signal the start of the most delicate part of the purge, expected to last three years. It was begun by Mr. Deng in October 1983 to expel party members who he said break laws, flaunt authority and give the party a bad name.

"This is the stage where they confront you with your record face to face," said one diplomat, who asked not to be identified.

Many of those targeted in the campaign rose to prominence during the 1966-76 Cultural Revolution, when radicals accused Mr. Deng and his followers of wanting to restore capitalism.

Since the purge began, the state-run press has reported the expulsion and punishment of several local party secretaries for crimes ranging from rape to embezzlement.

Many of those deemed guilty of violence during the Cultural Revolution also have been stripped of their party memberships. But the vast majority of members have not been affected.

The purging process has coincided with persistent press attacks on what the party calls "leftover poison" of the Cultural Revolution.

Under purge guidelines disclosed last year, all party members must undergo study and criticism. Then comes re-registration. Each member is scrutinized to determine if he or she merits continued membership to the party.

Hu Yaobang, the party's general secretary, told Japanese visitors in July that he expected 400,000 members would be expelled from the party. Some diplomats speculate that up to three million people may be stripped of their membership.

80 Are Reported Executed in Nigeria Since Coup, Some for Minor Crimes

Agence France-Presse

LONDON — More than 80 people have been publicly executed in Nigeria since the military coup last December, some of them in front of their families, The Observer reported Sunday.

The British weekly newspaper also said that in many cases, persons convicted of such minor offenses as car theft had been executed, sometimes only hours after they had been judged. The paper quoted the human rights organization Amnesty International as saying that some sentences were carried out so swiftly as to "raise doubts about the thoroughness of the review process.

The newspaper said that on Nov. 15, 55 convicts were put to death, although not in public, in the state of Enugu. It quoted the controller of prisons as saying that nine perons were shot and 46 hanged "to ease congestion" to the prisons.

Sri Lanka Says It Has Halted Raiders

Reuters

COLOMBO, Sri Lanka — Sri Lankan security forces say they have thwarted an attempted raid by separatist Tamil guerrillas and captured large amounts of arms and ammunition.

Police said troops ambushed six boats on Saturday that were carrying about 60 Tamil guerrillas believed to have been heading for an attack on the Kalavanchikudy police station on the eastern side of this island nation.

An air force helicopter fired at the six boats, killing at least four rebels, police said. Other guerrillas jumped overboard, swam ashore and disappeared into the jungle. Troops later arrested one wounded guerrilla, police said.

The ambush came five days after an assault by about 250 guerrillas on the Chavakachcheri police station in the north near Jaffna, in which 29 policemen and three civilians were killed.

In another incident Saturday, security forces arrested about 125 suspected guerrillas after finding a large weapons cache to a bouse in Batticaloa, in the east.

The state-run newspaper the Observer, quoting security forces, said Sunday that a rebel leader wounded in the assault on the Chavakachcheri police statioo had died io the south Indian state of Tamil Nadu.

The Sri Lankan authorities have said they believe the guerrillas trained to Tamil Nadu, which is dominated by the Tamils, and returned there by boat after the raid.

An Indian foreign mioistry spokesman said Saturday, "We have repeatedly made it clear there are no training camps for Tamil militants in Tamil Nadu."

The Tamil guerrillas have been fighting for a separate state in the north and east.

LETTERS TO THE EDITOR

(Continued from Page 4)

other purposes. To this one can add the environmental burden. Military bases and movements have a much different impact io densely populated Europe than, say, Nebraska.

This is oot to say that Europeans should oot do better. Iodeed, considerable efforts are being made to improve infrastructure, to increase war stocks and to provide better facilities for fighter aircraft.

America is to Europe to defend its allies and itself. It is on the line between East and West that the freedom of the United States and her allies is demonstrated and defended in accordance with NATO's principle of forward defense. The liberty sustained by that line requires constant effort by the NATO alliance in partnership, but it is the Europeans who are in the front line and who make by far the major cootribution in peacetime.

As the 1974 Ottawa declaration on Atlantic relations stressed, all alliance members "agree that the continued presence of Canadian and substantial U.S. forces in Europe plays an irreplaceable role in the defense of North America as well as of Europe. Similarly, the substantial forces of the European allies serve to defend Europe and North America as well."

JAN JONKER ROELANTS.
Spokesman,
Ministry of Foreign Affairs.
The Hague.

A Dark Day for India

My hearty thanks for the tributes you paid on Nov. 1 to the late Indira Gandhi in the editorial "A Stunning Loss in India" and the report "A Controversial Woman of Vast Power." Oct. 31, 1984, will go down as the blackest day in the history of contemporary India.

It is a cruel irony of fate that in the land of the revered Mahatma — the apostle of oonviolence, truth and peace, who himself was the victim of an assassin's bullet — another Gandhi had to pay the price for selflessly serving this beleaguered nation. It seems that peace and harmony will be elusive for India for years to come.

KAILASH JAJODIA.
[Address supplied].

In Defense of Pindling

Regarding "Drug Probe in Bahamas Brings Call for Prime Minister's Resignation" (Oct. 27):

I find this report to be misleading. It implies that as a result of a drug probe there has been a credible call for the resignation of Prime Minister Lynden O. Pindling.

Firstly, as the report goes on to state, the Royal Commission of Inquiry, appointed at the request of the prime minister himself last November to investigate "illegal use of the Bahamas for the transshipment of dangerous drugs destined for the United States," has not yet issued its report and is not iotended to do so until the end of this year.

Secondly, as your report also states, "Mr. A. Richter, a Canadian police inspector working on the staff of the commission, investigating Mr. Pindling's finances, said he found no indication that any of the prime minister's income had been derived from drug trafficking."

Your article, in addition to being jumbled in parts in your first edition due to iocorrect typesetting, appeared in both editions next to a report with the headline "Canadian Official Faces Marijuana Accusation," allowing further insinuation.

As stated in your report, it is Mr. Pindling's opponents who have been making the noise. That group holds 11 of the 43 seats in the House of Assembly, with Mr. Pindling's party holding the other 32 seats. It is thus a relatively small minnrity that is making the "loud, insistent demands." If all of the statements made at gatherings along the U.S. election campaign trail about the opposing party candidate had been given credibility, there would not have been enough oewspaper space to print them.

STEVEN E. KRAFT.
Zurich.

Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

Moot Computer Talk

In response to "France, U.S. Colleges Plan Technology Tie" (Nov. 16) by Amiel Kornel:

I wish to express my skepticism over the recently oegotiated "policy decision" to seek technical cooperation with a consortium of U.S. universities. The proposal is rhetorical and moot, since most research at U.S. universities is in the public domain and students are admitted to graduate programs on the basis of merit, oot oationality. And the fact that the agreement has been negotiated under the auspices of Jean-Jacques Servan-Schreiber, director of the French "World Center for Microcomputers," is not likely to promote confidence.

The agreement obscures some of the real problems of French development in computer science, including the need for increased financial support for research, more equipment and joint projects between academia and industry. Talk about protocols for the transfer of technnlogy is just talk. The need is to get down to work, do research and develop products.

HARRY G. MAIRSON.
Paris.

DOONESBURY

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

North-South Good Sense

Producers in the industrialized countries are increasingly strident in their demands for protection from goods made cheaply in the Third World. In this, if in nothing else, they are supported by organized labor. It is a striking combination of what Bentham, to whom the market economy owes so much, called "sinister interests."

This protectionist lobby advances two arguments against the alleged flood of cheap imports. The poorer countries are dumping goods by charging prices that do not cover their costs and making up the difference with subsidies from their governments. Alternatively, and more simply, their T-shirts, steel and transistors are unfairly cheap because they are produced by sweatshop labor.

If subsidized dumping is the problem, it should be possible to use existing international procedures in GATT for investigating complaints. If complaints are substantiated, compensatory action can be taken by the importing country. The procedure takes time, as the law often does, but there is no excuse for plaintiffs to take the law into their own hands by unilateral defensive measures.

If sweatshop labor is the problem, we need to depend less on internationally agreed procedures and more on economic common sense, a commodity in short supply when traditional jobs — and featherbedding — are threatened in the mature countries. The governments of the well-to-do become defensive because the status quo always seems worth preserving. Every threatened industrial sector (which means a sector that ought to make more effort than it is actually doing) seems to be a highly important marginal constituency. Nobody seems to realize that protecting marginal firms and workers in one sector puts at risk the prosperity of enterprises in other sectors.

There is a touch of the ludicrous in all this — a touch of Marxism, more akin to Groucho than to Karl. To start with, the size of the problem is not huge. Most goods that the rich countries consume are made at home or imported from other rich countries. Only about one-tenth of the manufactures they import come from the newly industrializing countries (the NICs); the proportion is much lower when these imports are compared with the total amount the rich consume. Even in textiles and clothing, only about 5 percent of what the rich countries wear is imported from the poorer countries.

If the problem lies in very low wages, the less the rich buy from the poor the more likely it is that wages in the NICs will stay low: The problem is only exacerbated.

In most respects, rejecting imports from the NICs runs clean against the major economic interests of the rich.

Many NICs are in debt to the hilt. Refusal to buy their goods means they will not be able to service their debts, with dire implications for the world banking system. When the rich are battling against inflation, repelling cheap goods is nonsensical. And when the rich are battling against unemployment, protectionism amounts to cutting off your nose to spite your face: Reducing NICs' export earnings simply reduces their purchases of capital goods made by the rich.

There is little evidence that protection accelerates the process by which threatened industries make themselves more competitive; if anything, the reverse is true. And, like so much intervention, it tends not to help the people for whom it is designed. Keeping out foreign footwear usually raises the profits of the already profitable shoe manufacturers. The weaker ones still go under.

The rich countries have to decide what sort of economies they want. Do they really want artificially to preserve low-productivity, low-interest jobs for their people and to discourage up-market specialization? Should they try to ensure that their children will still enjoy the dubious privilege of making T-shirts and low-quality shoes?

INTERNATIONAL HERALD TRIBUNE.

Afghanistan in Custody

Afghanistan ostensibly remains an independent country, with its own flag and a seat at the United Nations, but the reality is otherwise. A puppet Communist government totters in Kabul, held in place by 110,000 Soviet troops. What was supposed to be a limited intervention in 1979 has lasted longer than the Soviet Union's war against Hitler. The invaders have made four million Afghans stateless refugees in Pakistan and Iran — one-fourth of the population they allegedly came to assist.

In a now pious annual ritual, the United Nations has again admonished the Soviet Union with a gently worded resolution that calls for the withdrawal of "foreign troops." The General Assembly passed it for the fifth time, 119-20, with 14 abstentions. That is three more ayes than in 1983, which will hardly deter the Soviet Union from shrugging it off again.

Indeed, the Kremlin no longer even troubles to pretend that Kabul is a sovereign capital. Moscow bypassed it in ordering the release of a French journalist, Jacques Abouchar, who had been seized in Afghanistan in September and sentenced to 18 years imprisonment.

Moscow insists that Soviet troops are only supplementing the military campaigns waged by a conscripted Afghan army. That is a lie. Mr. Abouchar was captured by Soviet soldiers. A major offensive last spring against the rebel-held Panjshir Valley was carried out by Soviet planes and tanks. And the new strategy of starving insurgent regions is planned and savagely executed by Soviet forces.

Soviet media report next to nothing about this miserable, pointless war against a once nonaligned, friendly neighbor. But, tellingly, they no longer ignore what must be a highly unpopular drain. The Soviet public is expected to believe that only foreign intervention, especially from America, keeps the conflict alive.

The Afghan rebels are obviously receiving relatively unsophisticated weapons from Western and Islamic well-wishers. That help, allowing them to hold sway in the countryside, is no less justifiable than Soviet help to Communist insurgents in Indochina not so long ago. In Vietnam, Soviet diplomacy argued for reconciliation and a withdrawal of foreign armies, the terms it rejects for Afghanistan.

The fate of Afghanistan is reason enough to oppose the Soviet grab by every available means. The example that this ugly war sets for the conduct of powerful nations toward weak neighbors makes it doubly intolerable.

— *THE NEW YORK TIMES.*

The Fed Prods the Rates

The U.S. Federal Reserve Board, by dropping its discount rate half a point, is trying to lead the financial markets toward lower interest rates. It can lead markets but cannot force. It customarily moves one step at a time, then pauses to see whether lenders and borrowers are following. On the upswing the Fed raises the discount rate until investors see the economy slowing and other interest rates, set in the daily auction of the markets, begin to fall. On the downswing it often drops its discount rate until the market rates begin to rise. Now it is trying to push the economy into a renewed cycle of growth after several months' pause. If it follows past practice it will move the discount rate down until the markets rebel and begin to raise their own interest rates.

By its nature a central bank can always act faster than the government's other levers of economic management, such as the cumbersome apparatus of taxing and spending. But while the Fed now acts, the rest of the administration limits itself to advice and criticism. The government's machinery for setting economic policy has, at present, only one moving part.

The administration is poorly equipped to deal with a business slowdown. Its internal forecasts of rapid, steady growth have become an article of faith, and any change in them would mean much more than adjusting a mere number. The nature of the budget discussions within the administration raises apprehensions of fiscal paralysis in the coming year.

The Federal Reserve's skill is notable, but too broad a job is being loaded onto it. Trying to guide a large and complex national economy by manipulation of the money supply and interest rates alone is bad practice.

The Fed is being required not only to preside over the structure of money and credit, as central banks usually do, but also to make central decisions on levels of GNP, employment and inflation. It has acquired these responsibilities by default, since other elements of the government do not seem to be able to move. It finds itself making most of the day-to-day decisions that steer the economy.

— *THE WASHINGTON POST.*

FROM OUR NOV. 26 PAGES, 75 AND 50 YEARS AGO

1909: St. Catherine's Merry Maids

PARIS — "Why look, they're keeping up Thanksgiving Day!" said an American to his companion as he walked across the place Vendôme [on Nov. 25]. Glancing up at the open windows of MM. Beer, the dressmakers, he could see a number of young people dancing to the strains of what was evidently an improvised band. But the young people were not celebrating Thanksgiving Day. They were keeping up the Sainte Catherine, a good lady whom Parisian dressmakers have made their patron saint. Ostensibly Sainte Catherine is the patroness of old maids, those who are over twenty-five years of age or those who are supposed by their younger comrades to be on the shelf. Champagne and cakes appear and a merry dance ends the final hours of the day instead of the inevitable stitch, stitch, stitch.

1934: Japan Rebukes Naval Treaty

WASHINGTON — The blunt announcement of Japan's intention to denounce the Washington naval limitation treaty upon its expiration next year has prompted the State Department to be prepared to carry out its treaty duty to officially end the agreement. While this might be interpreted as meaning that there is little hope of any agreement and that the treaty will soon be dead, the truth is that the prevailing view is that diplomacy is merely being put to the test to head off a naval armament race. The address of Ambasssador Hirosi Saito in Philadelphia [on Nov. 23], in which he rebuked the leading naval powers for their refusal to give Japan equality in the 5-5-3 ratio of naval tonnage limitations with the United States, Great Britain and Japan, is regarded as the first notice of Tokio's intention to withdraw.

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Third World: The Beholder's Eye Is Unfair

By Leon Wieseltier

WASHINGTON — The day after Indira Gandhi was murdered there appeared in the Daily Mail in London a meditation upon her murder by the great writer V.S. Naipaul. The event seems to him exemplary. Delivering himself of yet another bout of dyspepsia about the post-colonial world, he observed that "here's the dreadful irony of societies starting from a low economic or cultural base — the minute men's lot improves at all and they have their eyes open, then they learn anger." And he continued that "self-awareness leads to self-assertion. Mingled with religion, it's a very explosive mixture."

Mr. Naipaul's misgivings were themselves exemplary of the new crudity of thinking about the Third World that the conservative age of Reagan and Thatcher has legitimated. In the 1960s the Third World was to be adored. In the 1980s the Third World is to be abhorred. All that the 1960s and the 1980s will have proved, therefore, is the extent of the West's inability to think maturely about most of the landmass of the planet.

Mr. Naipaul himself has contributed in great measure to the current disreputability of the new nations of Asia and Africa among many American intellectuals. His immense literary distinction — he may be the trustee in our time of the great tradition of English prose — has sweetened the pill. But the pill would anyway not have been hard to swallow. It is considered to be an essential part of the challenge to liberalism in foreign policy to insist upon the frightful imperfection of the social and political arrangements in the fledgling federations of the Third World.

In Washington this "tough" attitude is everywhere. I recall a dinner party at which an Israeli official made bold to wonder if the British departure from India was "worth it." I wondered how this man would have reacted to the equally bold suggestion that the British departure from Palestine might not have been "worth it."

To be sure, the self-deluding, self-hating worship of the Third World was among the most offensive of the New Left's many offenses. The revolutionary regimes of Africa, Asia, and Latin America are not now and never were political paradises; mainly they were seizures of power masquerading as searches for justice. But the debunking of this Western romance should not conclude the discussion. Indeed, it is not until the romance is over that the discussion can seriously begin. And then it will be observed that the difficulties experienced by many of these new nations seem, well, a little familiar.

The despair of decency in "low" societies that the terrorist act in New Delhi inspired in Mr. Naipaul came a week after the terrorist act in *Brighton.* The West has had its share, to put it mildly, of post-Enlightenment barbarism. Mr. Naipaul's connection between the improvement of men and the initiation of their anger reminds you of Robespierre and Lenin as much as it reminds you of Idi Amin and Bokassa.

The form that political violence in the unstable societies of the Third World often takes — that is, the experience of revolution — is in part a form exported from the West. A little irony, then, is the least that the political immaturity of some of the Third World requires from us.

And a little patience. Centuries after the West's own revolutionary bloodbath, centuries after the prospect of improvement in Europe unleashed anger in Europe (although fascism was also such a phenomenon, and its walking wounded are among us), it is tempting to feel a kind of moral and historical smugness. But the political maturity of the West is not a fact of nature. Vast numbers of people died for it.

Many Third World nations are barely a few decades old. There is nothing to be gained, morally or politically, from refusal to understand the circumstances of life in the post-colonial world. The making of states out of ethnic, social and religious divisions is not a simple matter. (Less than a century after the United States was created, half of it tried to secede.)

The Europeans, whose colonial past provides them at least with a knowledge of these reasons, appreciate this better than the Americans, who have no such knowledge, and mercifully no such past, to draw upon. And Americans have yet to acquire such knowledge, in the main. The scoutish nature of the American media's coverage of the Third World is a scandal, and probably our journalism's greatest dereliction of duty. As for the American government, the mixture of arrogance and ignorance that it recently demonstrated at the Conference on Population in Mexico City said it all. There the representatives of the Reagan administration told the representatives of starving, miserable populations that the best method of birth control is the free market.

All this is not to say that the nations of the Third World deserve, all of them, to be admired or agreed with. But they deserve to be treated with respect. Daniel P. Moynihan had it about right in the essay on "The United States in Opposition" that earned him his former job at the United Nations. He proposed that the United States agree to disagree with many states of the post-colonial world on many matters of importance. But the disagreement he had in mind was to be between nations whose self-esteem was not to be placed in doubt.

It would be a disaster of historical proportions if the most democratic power in the world became also the most parochial power in the world.

The writer is literary editor of the New Republic. He contributed this to the Los Angeles Times.

For a U.S. Commission to Assess the Soviet Union

By Joseph S. Nye Jr.

CAMBRIDGE, Massachusetts — Deeply divided about the Soviet Union, Americans have found it difficult to maintain a coherent policy toward that country. The result has been insecurity and missed opportunities. With the election over, serious thought must be given to improving the policy-making process.

One way would be to create a Soviet Assessment Commission to produce an annual report on the Soviet military, political and economic situations. Such a body could help build both knowledge of the Soviet adversary and a bipartisan consensus.

Part of the policy problem is the Soviet Union itself: Since it is repressive and secretive, we see what comes out but find it hard to know what goes on inside. But part of the problem is a fragmented policy process. Because the United States has a government of separate institutions that check and balance one another, some inconsistency in foreign policy is a price paid for the way the founding fathers chose to defend liberty.

In a world where Americans and Russians aim some 50,000 nuclear weapons at each other and miscalculation might lead to war, new ways must be explored to develop bipartisan support to improve consistency of policy. A joint legislative-executive assessment commission would help improve the policy process.

I propose that four members be appointed by the president and four by the opposition leadership in Congress. They would jointly select a ninth member as chairman. Their task would be to assess the mass of intelligence information available on such matters as Soviet political initiatives, the state of the Soviet economy and changes in military strategy.

The commission's annual report would be the subject of hearings before the foreign affairs committees (or possibly a joint select committee) of Congress. Such a report need not, indeed probably would not, be unanimous. By drawing up a report, even while noting reasoned dissent, the commission could provide a new focal point for foreign policy debates.

These arguments would have a new centrist tendency that is missing in the current situation, in which enterprising congressional staffers (usually from the two parties' wings) work with executive branch leakers to produce a national debate that stresses extreme positions. For example, the report could lead to a more careful discussion of the intelligence estimates on Soviet military spending, which are currently misused to support particular defense objectives.

The commission could provide both branches of government and both parties with data on which to base policy. Equally important, it would give all elected and appointed officials a bipartisan point of reference and refuge from the extreme criticisms of both left and right.

If a centrist position became politically tenable, we might be able to avoid some of the pendulum swings and missed opportunities of past policies. Changing Soviet tactics helped to trigger past American policy changes, but exaggerated American attitudes developed as much from domestic political processes as from actual changes in Soviet conduct.

The American system tends to work best when the president has a relatively coherent strategy and a smooth executive-branch process and when there is a general executive-legislative compact. We should not idealize the policy process of the Cold War period, but there then was relative harmony between the branches of government. It rested on congressional deference to the president on major lines of policy, leadership in Congress that was strong enough to provide a clear voice, and a general consensus on the Soviet threat.

By the 1970s, all three conditions had greatly eroded under the pressures of the Vietnam War and the ideological realignment that widened the gap between the political parties.

A Soviet Assessment Commission would not be a panacea, but presidential commissions have frequently helped build a political consensus. As an inter-branch mechanism it would help to develop bipartisan support and increase the consistency of policy toward the Soviet Union.

The writer is professor of government at Harvard University and author of "The Making of America's Soviet Policy." He contributed this comment to The New York Times.

Yes, Talk Arms Control With Moscow

By Stephen Rosenfeld

WASHINGTON — A marvelous noisy row has been taking place over the important foreign policy issue that has quietly but sharply split the Reagan administration down the middle: whether to try to negotiate controls on nuclear weapons with the Kremlin or, instead, simply to build the weapons America thinks it needs and limit arms control to matters on which no formal negotiation or agreement is needed.

The exchange was opened in The Wall Street Journal on Nov. 2 by Henry S. Rowen, an alumnus of the McNamara Pentagon who did the estimates at the CIA in the first Reagan term. He sailed into the "old SALT gang" — especially Henry Kissinger — for saying that arms control would slow the arms race, reduce chances of a pre-emptive strike and restrain Soviet adventurism. SALT did none of those things, Mr. Rowen asserted, but still the "old SALT gang" is back trying to recapture the arms control process in a second Reagan administration.

Mr. Kissinger and Brent Scowcroft, his successor as national security adviser, answered some of the arguments on Nov. 12. Mr. Rowen returned to the fray on Nov. 16, and SALT-I negotiator Gerard Smith weighed in on Nov. 21.

Despite the high standing of the participants this would be just so much polemics if the Reagan administration were not in fact split — "immobilized" might be the better word — and if Mr. Kissinger and Mr. Scowcroft were not, just as Mr. Rowen says, trying in their fashion to use their formidable powers to shape the administration's so far unshaped second-term policy.

You may find it strange and unseemly that at this late date such a basic question as whether to pursue security inside or outside the context of negotiated agreements with Moscow should still be open. But this is the Reagan administration.

Just last week you could read of the latest stage in Secretary of State George Shultz's rather lonely effort to draw his Soviet counterpart into "umbrella" talks on how to restart formal arms control talks. You could also hear a distinguished foreign visitor suggesting, after conducting an arms control reconnaissance at the Pentagon, that over there they have no interest or faith in the process.

The arms control director, Kenneth Adelman, is going around using Rowen-type arguments against arms control negotiations, suggesting that some arms control steps be taken unilaterally or in parallel with Moscow, and urging full steam ahead on assorted arms-building programs.

What is the poor citizen to think about it all? Perhaps this:

- Everybody's right, but some are righter than others. Mr. Rowen, the Pentagon people and Mr. Adelman are right to say the record of arms control negotiations and accords is disappointing. But Messrs. Kissinger, Scowcroft, Smith and Shultz are righter to say arms control has an important contribution to make.
- Most arguments are not really over arms control but over the basic philosophical question of whether the Soviet Union is a trustworthy partner. America should stop demanding a single answer to that question and move, from whatever starting point, into a cautious but constructive interim consensus answer that allows proceeding with arms control on the basis of very great American experience with it for more than 20 years.

The argument that arms control with agreements does not work but that arms control without agreements will work ignores a central diplomatic reality and a central political reality.

The diplomatic reality is that agreements provide standards and incentives to comply. They bring some uncertainty, but without them comes the certainty of a no-limits world.

The political reality is that people — the American people — want agreements, some for the contribution to security and some for the demonstration that leaders are working for peace. These are valid purposes. It will not do to reach for Tocqueville and lament that the people are fickle and might therefore be bad negotiators. The task of political leadership is to build support for agreements that have been thought out, vetted and put to the Russians.

Are all you folks who work for or support Ronald Reagan saying he is not up to the job? I don't believe it.

The Washington Post.

Fueling a Colonel's Delusions of Power

By William Pfaff

PARIS — The mistake is to take Colonel Moamer Qadhafi seriously. He is dangerous, certainly; but it is not useful to deal with him as if he were a reasoning figure with a serious international policy.

He occupies the terrain of megalomanic imagination. His *coups* are executed without sustained calculation. His words are only erratically connected to reality. This provides him a source of power.

His opponents grapple with his declarations as if they were seriously meant, analyzing his actions and options in a rational manner. Surely, they say, he won't do this, because logically it would lead to that, and he can't want that. Colonel Qadhafi does it, because it is, for the moment, what he wants to do.

The fiasco of France's withdrawal from Chad is explicable only by a French assumption that in Colonel Qadhafi it was treating with a rational man, responsive to the logic of rewards and punishments. If President François Mitterrand, his adviser, Roland Dumas, and Foreign Minister Claude Cheysson dealt credulously with the Libyan leader's promises to withdraw forces from Chad, this followed from their belief that it was logical and advantageous for him to leave Chad.

Tying up his forces in Chad was, logically, as useless to him as tying up French forces in the southern half of the country was to the French. A withdrawal, leaving behind an implicitly acknowledged partition of the country, would have been a step forward for Libya.

There is said to be trouble in Libyan military ranks, and between Libyan soldiers and the dissident Chadian forces they support. Libya is no longer as rich as it was, now that the oil price has fallen. There is dissidence inside Libya. The opponents of Colonel Qadhafi have become bolder and there has been at least one attempted coup d'état.

The French are often a logical people. They pay others the compliment of assuming that others are logical, too, and this is a repeated source of difficulties, for they attribute rationality, and at times even Machiavellianism, to others when others are merely blundering along in confusion. In the Libyan case they were dealing with adepts of a form of inspiration not communicated to the Cartesian intelligence.

They made fools of themselves in the Chad affair, believing what Colonel Qadhafi said, apparently doing nothing to verify that Libyan withdrawal was actually taking place, and initially lying about it when it turned out that Libyan promises were not being kept. They may yet pay a price for this in the lives of their young men, if they are compelled to re-enter Chad to push the Libyans out and re-establish France's credibility as a guarantor of its African allies.

Mr. Mitterrand has paid the price of a grievously wounded reputation for soundness in foreign policy, the principal asset left to him amid the wreckage of the Socialists' domestic and economic promises.

Mr. Cheysson, in one of the less fortunate traditions of France's foreign relations, has turned on Washington, as if what the Americans make of all this were the important question. Washington, he suggests, wants Paris to treat Libya the way the United States treats Central America. "An astonishing press campaign has been launched by the Americans," he said.

It is true that Washington has been gleefully provocative at every step in France's humiliation, taking its revenge upon Paris's unwillingness to deal with Colonel Qadhafi as a mad dog. Washington's record in the matter is not, however, a great deal better than France's, for much the same reason. Washington, too, takes the colonel with unblinking seriousness.

Colonel Qadhafi is treated by Washington as a powerful and calculating world figure whom the greatest power on Earth can scarcely check. Washington has so convinced itself of Libya's menace that two years ago the White House was noisily fortified and given strengthened anti-aircraft protection for fear of Colonel Qadhafi's wrath.

Yet surely, by now, it is obvious that the colonel marches to a drum only he can hear. His operetta uniforms, his bearing, his little green book of universal wisdom and even his coiffure are evidence of withdrawal from the mundane universe the rest of occupy. His minions kill a London policewoman, arrange assassination plots in Egypt, track down unhappy students abroad, hand out money to assorted terrorists or would-be terrorists who cross their path, all because Colonel Qadhafi wants to shake the world.

But what does it all add up to? Libya is a small country, with a population half that of Switzerland's, an army of 75,000 men and women, without resources other than oil, led by a military adventurer with delusions of grandeur.

If serious men — François Mitterrand, Claude Cheysson, George Shultz, Ronald Reagan — feed those delusions, and treat with Colonel Qadhafi at the estimate he places upon himself, they invite the kind of humiliation that France has now experienced. Its costs for France are not yet completed.

International Herald Tribune.

Yugoslavia: Something Is Coming

By Flora Lewis

BELGRADE — In the period before Marshal Tito died there was a series of drastic scenarios about the extraordinary things likely to happen to Yugoslavia when he was gone. Four and a half years later the drama of Yugoslavia has turned out to be that nothing happened. Now responsible people are saying it cannot go on like this, something must be done.

What? The issue is so difficult that the talk is of crisis and the nation's future. There is a tangible fear among the leadership about the stability of the society and the state, although the tough economic problem is not so much worse than what other countries have endured without disasters.

The first step in facing it has been an extraordinary open debate — with questions put about the structure of the country, the economic system and the role of the single party — that no other Communist state has ever allowed to be aired in public.

Yugoslav Communists are proud of what they call the "originality" of their system. They have had a slow but historic influence on developing alternative concepts of what Communist rule must mean.

But they are divided, even on whether to be proud or embarrassed by the display of disagreement, which would not be tolerated to the east. The one point of consensus is that the economy is not working properly and that mere tinkering will not fix it.

A crucial trouble is fragmentation and indecision. Some say that central authority has disappeared, an exaggeration but not a big one. So much care was taken in Tito's declining years to prevent a battle for succession, the emergence of dictatorial power or domination by one region that a kind of paralysis has resulted.

The six republics and two autonomous provinces of the federation have reserved so much local power for themselves that nationwide enterprise is stymied. The system of worker management of publicly owned business has turned out to be too inflexible and inefficient in many cases. An incentive program of allowing foreign exchange to be retained by companies and areas that earn it has distorted economic judgment and blocked sound investment.

There are two obvious ways to restore a nationwide economy without upsetting the federal structure on which the maintenance of national unity depends. One is reversion to authoritarianism, in effect Stalinism; the other is to introduce a free market. The first is emphatically rejected and the second more or less timidly set aside as too risky, for now at least.

There are all sorts of crisscross arguments in the hierarchy about ideological issues dividing hard-liners from those who insist that liberalization is indispensable, about ethnic issues between republics, about development issues between poorer and richer regions. One shrewd Yugoslav analyst said the situation showed that Tito's magisterial leadership really veiled a basically unworkable compromise, not a more tolerable and effective form of Communism. The collective leadership has prevented excessive concentration of power, but at the cost of preventing action.

The current trial of a group of intellectuals charged with conspiracy against the state because they held informal meetings and discussed such matters seems to reflect this spasm of indecision.

Officials are acutely sensitive about foreign reports on the trial, although the press is admitted. They have cooked up the notion of a Western "campaign" to embarrass Yugoslavia while it is gripped with profound worries, although they are not trying to keep secrets. This seems to be an attempt to warn the public that there are still definitely limits on what may be said, all the while trying to encourage the belief that far-reaching change is possible.

Underlying this nervousness is an unavowed sense that people have been putting up with a system they never really chose because it brought national independence and rising standards of living. But living standards have dropped 30 percent in the last four years and the tacit social compact could be put in question.

That is unlikely. Reforms are coming, although how widespread and how workable remains to be seen. This is a strange period of evolution in a society ruled by the most innovative and in many ways most audacious Communist Party in power. But it is still a Communist Party and it is determined to maintain power.

How Yugoslavia solves its dilemma can have an effect on the evolution of communism elsewhere, encouraging reform or demonstrating its risks. But Yugoslavia will not go on much longer doing nothing. Something is going to happen here.

The New York Times.

LETTERS TO THE EDITOR

Europeans and NATO

In response to "NATO Trying to Answer U.S. Critics on Spending" (Nov. 14) by Joseph Fitchett:

This interesting report on the present discussion in NATO with regard to Europe's contribution to the allied defense once again draws attention to the fact that the European defense efforts are judged by many in America solely in narrow financial terms, much like a company's performance would be judged by an accountant: setting off inputs against outputs and judging the result unsatisfactory.

The Europeans are perfectly conscious that more should be done, but they reject the view that they are not taking their fair share of the defense burden. Looking at the output side of the alliance's ready forces in Europe, European allies provide roughly 95 percent of the divisions, 80 percent of the combat aircraft, 85 percent of the tanks, 95 percent of the artillery and 70 percent of the fighting ships at sea:

In input terms Europeans have been doing better against the 3-percent objectives than many critics allow. European defense expenditure grew in the 1970s when U.S. effort was declining. U.S. defense spending only recovered its real 1971 level in 1983, whereas over a similar period European expenditure increased by more than 24 percent in real terms.

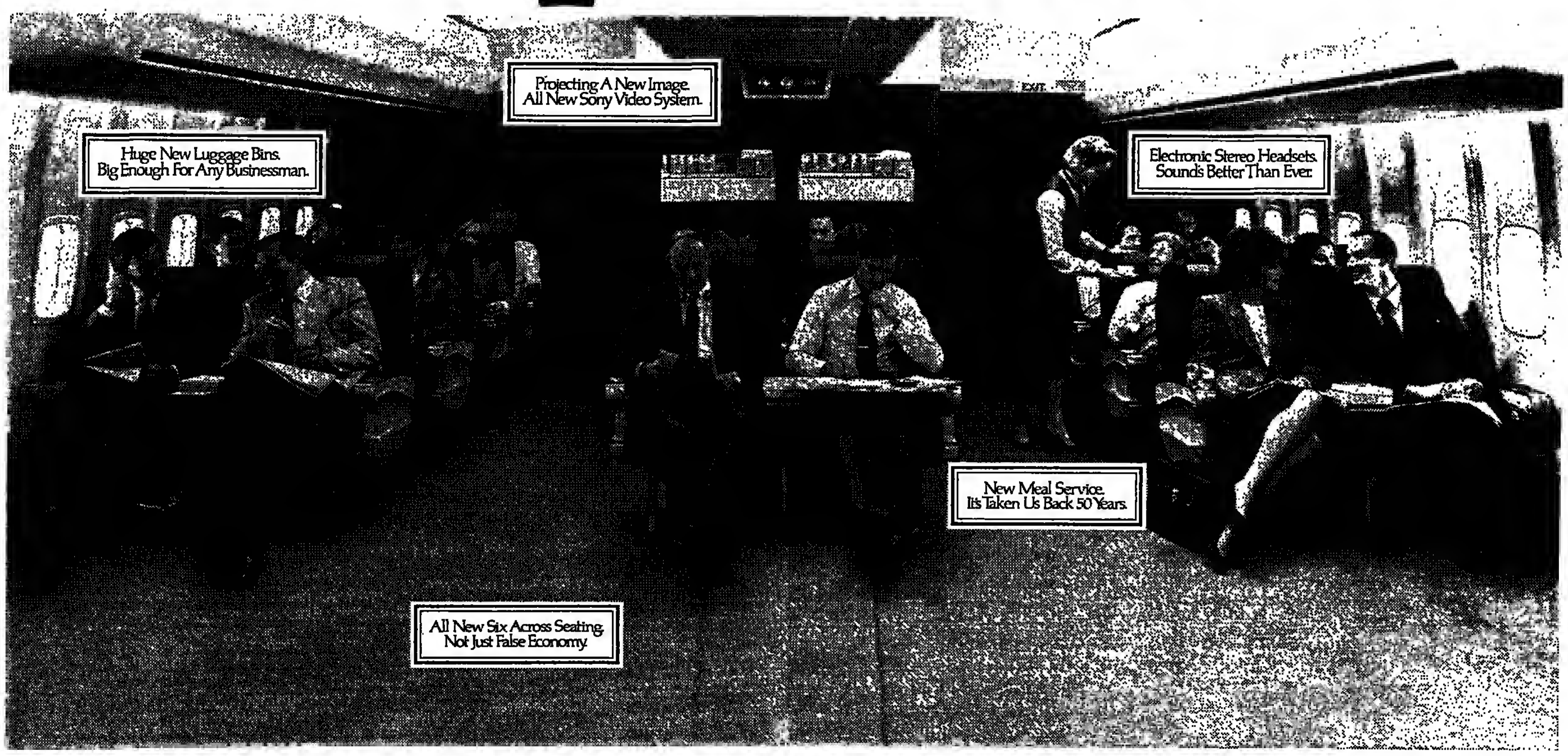
One should judge this performance against the economic background. U.S. GDP per head is more than 60 percent higher than the average for NATO Europe. Thus, while the United States devotes a higher proportion of its GDP to defense (6.6 percent in 1983) than the NATO European average (3.8 percent in 1983), even after all the defense bills are paid, the United States still has over 50 percent more GDP per head than Europe for

(Continued on Page 5)

Yugoslavi
Somethin
Is Comin

By Flora Lewi

Pan Am's New Clipper Class. The Million Dollar Experience.



One million dollars. That is how much we are spending on refurbishing each Pan Am 747.

Our objective was to make Pan Am Clipper® Class simply the best in the business.

To do this we set about totally re-designing it. In fact little of the old Clipper Class remains.

No longer is there, as with other airlines, one separate business cabin. The new Clipper Class has three. We thought that would give you more privacy.

Out With The Old, In With The New.

Then we threw out the eight-across seating. Now it's just six. And, unlike other major transatlantic carriers, they're individual seats purpose-built for business class.

Out too go the overhead bins. Now Superbin comes to the rescue of travellers with large hand luggage. Six times bigger, these new bins can take suitcases standing or garment bags laying flat.

The film went the same way. Out. But movie buffs needn't worry, in its place is a brand new Sony video system.

However, Clipper doesn't just look better, it sounds better too, with the addition of new electronic headsets. So wherever you sit you'll have the best seat in the house.

A New Restaurant At 35,000 Ft.

When it's time for dining there's a whole new experience for you to enjoy. Separate courses served on real china. It's like stepping back in time to the gracious days of flying.

But the benefits of travelling Pan Am Clipper Class aren't all aboard the 747.

On arrival at the airport you go straight to your own separate check-in.

Speed Above The Traffic In A Free Pan Am Helicopter.

If you're going to New York there's a free helicopter from JFK to East 60th Street, Wall Street or Newark Airport. No other airline has its own helicopter service.

Meeting our evening New York flight from Heathrow is a free limousine to chauffeur you from JFK to your hotel in Manhattan.

Both of these services leave from the same terminal, the one that you arrive at, our very own Pan Am Worldport®

Be sure to book one of them when you make your reservation.

Europe And America Under One Roof.

From Worldport you can also catch Pan Am flights all over America.

It is the only terminal to have both international and internal U.S. flights all under the one roof.

Next time you fly to the States, fly Pan Am. After all, who else offers you, for the price of a business class ticket, a million dollar experience?

For information and reservations, call your Travel Agent or the nearest Pan Am office.

Pan Am. You Can't Beat The Experience.

International Bond Prices - Week of Nov. 22

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

RECENT ISSUES

Amt	Security	Str/Conv	Issue Pr.	Mid Pr.	Yield
cn$ 50	Toronto-Dominion Bank	12¾ % '89 Nov s	100	98½	12.79
dm 250	Philips Gloeilampen W/w	3½ % '91 Dec c	100	102¾	3.14
$ 100	Merrill Lynch Co X/w	12½ % '94 Dec s	100	98¾	12.72
dm 100	South Africa Transpor	7½ % '92 Nov s	99½	98	7.97
$ 75	Pacific Gas Electric	12 % '92 Jan s	100	97	12.64
dm 100	Soc Centr Nucleaires	7¼ % '94 Nov s	99½	98¾	7.43
$ 100	Wells Fargo Co	12½ % '91 Dec s	100	97	12.29
$ 75	Finland	12¼ % '94 Nov s	99½	100	13.33
$ 150	Chrysler Financial Co	13¾ % '95 Nov s	100¾	100	13.25
dm 600	Australia	7¼ % '96 Nov s	99½	96	7.38
$ 150	Saskatchewan Province	11⅞ % '89 Nov s	100	99¾	11.94
$ 100	Bank Of Tokyo Curacao	12⅜ % '91 Jan s	150	99	12.82
$ 140	World Bank	12¼ % '94 Nov s	100	100¾	12.12
$ 100	Chesebrough-Ponds	12 % '93 Jan s	99¾	96¼	12.33
$ 100	Credit Suisse Fin X/w	11½ % '92 Feb s	100	99	11.94
$ 100	Ibm Credit Corp	11 % '89 Dec s	99¾	98	11.27
cn$ 100	Brit Columbia Provinc	12⅝ % '91 Nov s	100	99¾	12.41
dm 100	Eec Europe Econom Com	7½ % '94 Nov s	100	100	7.50
$ 100	Coca-Cola Company X/w	11¾ % '88 Nov s		99¼	11.42
cn$ 70	Ottawa-Carleton	12½ % '94 Dec s	100	99½	12.59
$ 75	Suncor Inc	12⅝ % '91 Nov s	100	101	12.40
$ 100	Mitsubishi Fin(hk) x/w	12⅝ % '89 Nov s	100	101½	12.20
$ 75	City Federal Savings	12½ % '89 Dec s	99¾	100¾	12.42
$ 100	Finnish Export Cr X/w	12¾ % '89 Nov s	100	101½	12.33
$ 150	Inter-American Dev Bk	12⅝ % '91 Nov s	99¾	101½	12.41
$ 100	Toronto-Dominion Bank	12½ % '88 Apr s	100	101	12.06
$ 50	Nzl Overseas 111956	10½ % '94 Jo c	150	101	10.31
dm 200	Beecham Group	7⅜ % '94 Nov s	150	99	7.42
dm 120	Denmark	7⅜ % '89 Nov s	100	100	7.37
dm 150	Denmark	s	99¾	100	7.75

STRAIGHT BONDS
All Currencies Except DM

Columns: Amt | Security | % | Mat | Middle Price | Yield: Mat, Ave Life, Curr

AUSTRALIA
[illegible]

AUSTRIA
[illegible]

BELGIUM
[illegible]

CANADA
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

GERMANY
[illegible]

GREECE
[illegible]

ICELAND
[illegible]

IRELAND
[illegible]

ITALY
[illegible]

JAPAN
[illegible]

LUXEMBOURG
[illegible]

MEXICO
[illegible]

MISCELLANEOUS
[illegible]

NETHERLANDS
[illegible]

NEW ZEALAND
[illegible]

NORWAY
[illegible]

PORTUGAL
[illegible]

SOUTH AFRICA
[illegible]

SOUTH AMERICA
[illegible]

SPAIN
[illegible]

SUPRANATIONAL
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

UNITED KINGDOM
[illegible]

UNITED STATES AMERICA
[illegible]

HIGHEST YIELDS to Average Life Below 5 Years
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HIGHEST YIELDS to Average Life Above 5 Years
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HIGHEST CURRENT YIELDS
[illegible]

ZERO-COUPON BONDS
Columns: Security | Final Maturity | Amt | Original Issue Year | Offerers Price | Offered Price
[illegible]

(Continued on Page 18)

International Herald Tribune
Published With The New York Times and The Washington Post

EUROMARKETS

A SPECIAL FINANCIAL REPORT—PART I

Part II Will Appear
In Tomorrow's Editions

New U.S. T-Bonds: Has Treasury Found Big Europe Market?

By Sherry Buchanan

GENEVA — In its effort to get Europeans to help finance the U.S. deficit, the U.S. Treasury plans to issue on Nov. 28 $1 billion of U.S. five-year semi-anooymous Treasury bonds targeted for foreign investors. Simultaneously, the Treasury will issue $6 billion worth of bonds in the U.S. market.

It will be the second issue of Treasury bonds targeted for foreign investors, who do not pay withholding tax. Last July, Congress voted to repeal the 30-percent withholding tax foreigners had to pay on interest after the Treasury argued that it was a deterrent to foreign investors. In August, in spite of political opposition, new regulation allowed the Treasury to issue bonds that would, to a certain degree, preserve the buyer's anonymity.

Before the oew regulation, the buyer of Treasury bonds had to declare who he was. The bonds were called registered bonds. To quiet Congressional fears that the bonds would be used by U.S. tax evaders, the regulation requires banks in Europe purchasing bonds for their clients to file a declaration to the Treasury certifying that the buyer is not a U.S. citizen.

As long as the dollar remains a strong currency, most brokers and investment houses in Europe say that they are bullish on the Treasury bonds. But it remains unclear whether the Treasury has found the expanding oew market in Europe it is looking for. At the end of 1983, oon-American investors already held 16-17 percent of the U.S. outstanding debt. Foreign buyers of Treasury bonds include central banks and large institutions, like European pension funds, that by law have to invest a certain percentage of their portfolios into government bonds. These institutions do oot care about anonymity. As long as these institutions prefer the dollar to other currencies, there is every reason — and added incenöve after the repeal of the withholding tax — for them to continue to buy Treasury bonds.

The question is whether the individual investor and the smaller institutions that put a premium on anonymity will prove to be the new purchasing power behind Treasury bonds by buying them in great numbers.

For several reasons, it is difficult to judge the level of new interest from individual investors after the first issue of four-year Treasury bonds targeted for foreign investors late in October.

The first foreign-targeted Treasury issue was not put on the market under the best of conditions. A week before the issue, the Internal Revenue Service (IRS) ruled that U.S. corporations that had issued Eurobonds between June 22 and July 18 — technically a legislative no man's land — had to pay the withholding tax on interest. Issuers who had assured buyers that they would not have to pay the withholding tax might have been caught and forced to pay the tax themselves without the intervention of the Treasury promising to speed up appeals to the IRS. For the Treasury, it was a poor show of keeping promises at a time when the U.S. government was intent on reassuring foreign investors.

According to some brokers, the issue has oot sold well, at least not in the initial phase. But it may be that the issue was too expensive, oot that anonymity-hungry investors feared the U.S. tax man. By all accounts, the dealers overbid and pushed the price of the European issue way up over the domestic issue. According to Credit Suisse First Boston, which was a main bidder for its clients at the Trea-

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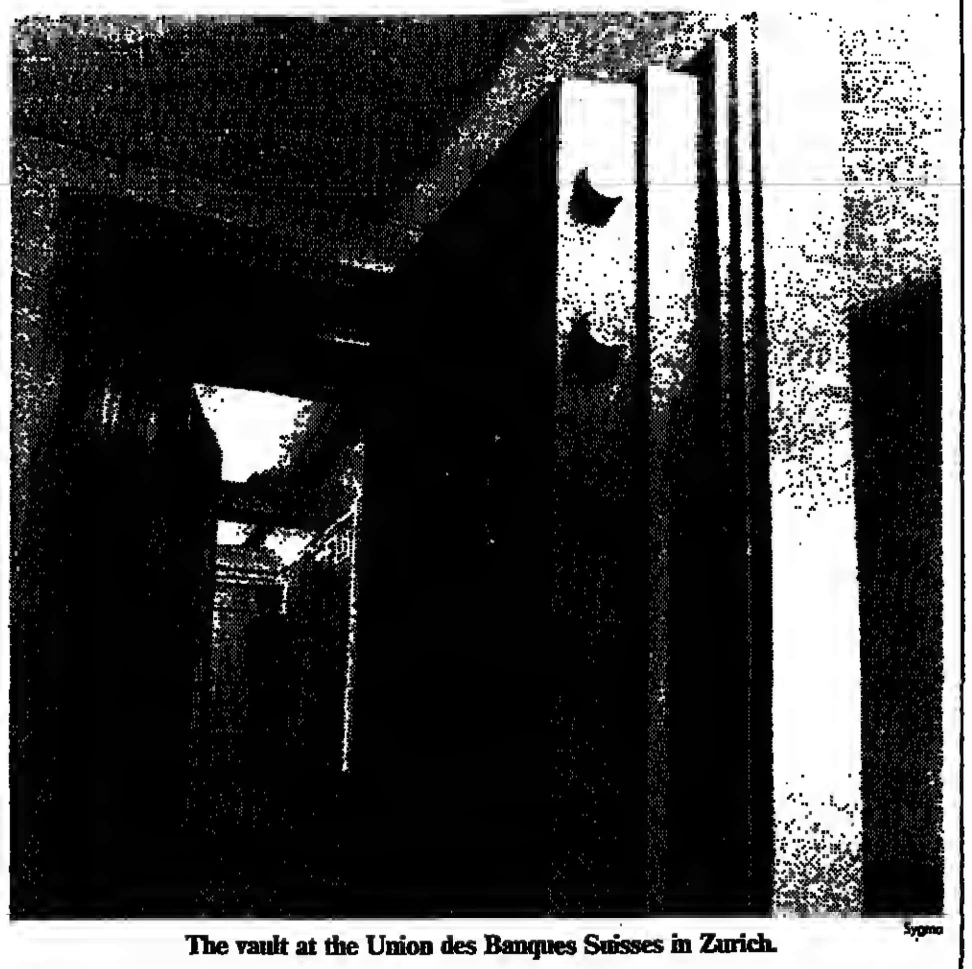

The vault at the Union des Banques Suisses in Zurich.

Sygma

World Debt Crisis Forces Banks to Change Methods

By Carl Gewirtz

PARIS — After standing oearly still for two years — while governments, official insötutions and commercial banks sought to reduce the debt crisis to manageable proportions — the Euromarket again is running several steps ahead of banking regulators.

Ironically, the sobering experience of the debt crisis, which threatened the solvency of the major banks and ultimately the international financial system, is propelling banks to reshape how they do business in ways that may make them more vulnerable.

The Euromarket, currently estimated to total just over the equivalent of $2 trillion of expatriate funds (about 80 percent in U.S. dollars), has, from its inception in the late 1950s, been a source of anxiety for officials by expanding at rates exceeding 20 percent a year for most of its existence.

"An atomic cloud of footloose funds" is how Denis Healey, former Chancellor of the Exchequer, phrased his mistrust of the market.

Concern continues to run high. The fundamental issue, today as in the past, is that the international credit machine is spread around the globe while the regulators supervising bank activity are bound by national jurisdictions whose standards are not uniform.

The driving force pushing banks to do business that many lending officers themselves fear is imprudent is the need to increase capital — the resources available to banks to enable them to meet their obligations.

Supervisors were calling attention to deteriorating levels of capital in relation to total business even before the outbreak of the debt crisis in mid-1982. The decade-long rush by banks to expand, to keep up with the competition, and in some cases, the driving compulsion to be the biggest of the competition resulted in a dash to increase assets. In those days, banks measured themselves by assets, or loans they put on their books. Today, by contrast, capital is the most watched measure of commercial bank prowess.

The debt crisis — which for many banks threw into question the value of loans far exceeding total capital, as well as the huge increase in domestic loan losses caused by the deep recession — pushed the supervisory authorities to demand an improvement in the capital-assets ratio.

This can be achieved by increasing capital, slowing the growth in assets or a combination of both.

Io fact, it is the banks' actions to slow the rise in assets that is transforming the way they do business and, some would argue, increasing their risk.

"It represents a sea change for commercial bankers," said Tony Constance, managing director of the London-based merchant banking arm of Manufacturers Hanover Trust, the fourth largest U.S. commercial bank.

The essence of the change is that banks no longer look upon their capital statically, as a hook to hang their lending commitments until they mature, but rather as a machine to generate profits. Among other things, this means making a commitment, pocketing the commission and then aiming to sell the commitment to make room for a new one and more commissions.

Commercial banks are moving from a "book and hold" to an "ev-

(Continued on Next Page)

Delays in Bond Clearances Bring Calls for Procedure Change

By Amiel Kornel

PARIS — Settlement delays in the daily transfer of some $600 million of cash and securities between Cedel and Euroclear, the rival international clearing bouses for bond transactions, are prompting traders to demand a revision of the procedures causing the problem.

More than just a technical amendment is at stake. Traders who have studied the question believe that the delay limits their ability to take advantage of overnight interest rates and best manage their money.

Because unknown sums of interest revenoe are being foregone, the issue, which is oot widely understood, could become "extremely emotive" if oot quickly resolved, according to a senior French banker.

But highly delicate negotiations to revise the agreement that governs use of the so-called bridge between the two clearing houses are stalled, according to participants in those talks.

"We discuss and we don't advance," said Georges Muller, director of Luxembourg-based Cedel, when asked about the state of the 10-mooth-old oegotiations. "We would like to see this amendment take place very quickly."

Euroclear declined to comment on the state of the oegotiations, except to say that the talks are "ongoing."..."Those systems discussions are inevitably going to take a long time," said Tom Fox, vice president and general manager of the Euroclear Operations Center in Brussels.

The bridge permits a dealer with an account at one clearing house to electronically settle a trade with a dealer using the other. "It is not entirely satisfactory," said ooe trader who requested anonymity. "Users are suffering, but most don't know it," he added.

Asked about the reports, Marshal Stappers, chairman of the settlements committee of the Association of International Bond Dealers, said: "I know that there is a problem with delay of payments with the bridge.... I have heard complaints from other dealers."

Morgan Guaranty Trust Co. manages and operates Euroclear and its associated cash and securities accounts. Euroclear has about 1,500 participants and expects to reach a turnover of $725 billion in 1984.

Morgan created the service in 1968, when it became apparent that the growiog Eurobood market oeeded a speedy and secure system to clear and settle transactions. Upon making a deal, international traders can exchange securities and cash by simply notifying Euroclear to make a transfer between their accounts at Morgan Bank in Brussels.

Cedel was founded in 1970 as a cooperative by banks concerned about the dominance that Morgan Guaranty held over trade settlements. Cedel has attracted about 1,400 clients.

By introducing competition into the clearing system, traders hoped

(Continued on Next Page)

Headquarters of the World Bank in Washington. Sygma

T-Bonds: Has U.S. Found a Large Europe Market?

(Continued From Previous Page)

sury's foreign-targeted bond issue, it was fairly expensive because investment bankers did oot want to miss the deal. But after a week the price dropped to about five to eight *basis points* above the *domestic* issue from, according to Merrill Lynch, 20 to 30 basis points above the U.S. issue.

But some of the big Swiss banks did not participate in the issue. And some of the private Swiss banks have decided for the time being against advising their clients to buy U.S. Treasury bonds. "The Swiss are concerned there are no guarantees that the tax laws wouldn't change," said Jack Delaney, of Merrill Lynch in London. However Unioo des Banques Suisses (UBS) and Swiss Banking Corp. participated in the recent Federal National Mortgage Association (Fanny Mae) Eurobond issue targeted for foreign investors. Fanoy Maes are issued by a U.S. government agency, but are oot government guaranteed. However, it is unclear whether the Swiss banks participated for their own account or for the portfolios of their clients.

But the Treasury has tried to accommodate the individual investor by trying to assure the buyer that there always will be a market for the bonds even if there is an unforeseen change in regulations. Forty-five days after the issue, the buyer can sell his or her Treasury bood bought in Europe back in the U.S. market. The coupon will then transfer from an annual to a semi-annual coupon.

"In case there is a problem in the U.S. commitment regarding anooymity, you can always sell your bood in registered form in the U.S. market," a Geneva-based broker said. "One billion dollars isn't that much in the U.S. market, so this way you have assured liquidity." The argument is that, in case of a panic, if foreign investors all sell their bonds at once, the price would drop dramatically in the European market but not if they dump them all in the U.S. market, which is a lot larger.

The Treasury's main competitors in Europe are U.S. corporate Eurobond issues that, unlike the Treasury bonds, are in bearer form (the buyer does not have to say who he or she is). "The U.S. Treasury will be fair play, but it is still a Damocles sword hanging over the market; at equal yield and equal price, some people may prefer the triple A U.S. corporate issues," said Bernard Sabrier of Unigestion SA, a Geneva-based financial company that deals in Eurobonds.

Swiss bankers cite all kinds of other psychosomatic reasons why the individual investor may continue to prefer triple-A U.S. corporate bonds over Treasury bonds: security, habit or reassurance.

"The way the foreign-targeted Treasury issue has been structured will attract a lot of investors; but IBM doesn't have a budget deficit," Mr. Sabrier said.

According to most brokers in Switzerland, the announced repeal of the withholding tax on German and Freoch government boods shortly following the U.S. move will have little effect on the European market for U.S. Treasuries. "The choice is oot a matter of government; it's a matter of currency," another Geneva-based broker said. "If investors are ready to go ooto the Deutsche mark, then German government bonds will be a very interesting investment."

Even if the European market for U.S. Treasury bonds does oot turn out to be the hoped-for bonanza, it is *still* a good buy for the U.S. government. "They can save a lot of money," said a Geneva-based broker. "Eight basis points below a domestic issue is still a lot of money."

Bond Clearance Delays Bring Call for Change

(Continued From Previous Page)

to lower rates and assure a sustained quality of service. But this competitivity risked diminishing the fluidity of the market: How would a dealer with an account in ooe system make a trade with a dealer using the other?

To overcome this problem, Euroclear and Cedel signed an agreement, *called the bridge, on Dec. 1,* 1980, to define the way transactions pass between them. Both systems use computers to handle and process transactions and electronically transfer mooey and securities to each other once a day.

They agreed that Cedel would process daily activity and communicate bridge transactions to Euroclear in the afternoon. Euroclear, on the other hand, does its processing overnight and transfers in the morning.

As a consequence, Cedel must transfer securities to Euroclear accounts a day before payment. "We lose one-day value," Mr. Muller said.

"With two-digit interest rates, dealers like to replace their own money in the market and put it back in Cedel in the morning," explained one banker. "They could use their money better than they are at the momeot."

Another problem arises when the same bond is traded several times in a single day, a process called chaining. With only one transfer beween Cedel and Euroclear each day, payment can be delayed as the bond makes its way to the final buyer.

With the explosive growth of the Euromarket in the last few years, *the volume of trading* over the bridge has grown considerably and with it the significance of any imperfections in the way the bridge functions. Euroclear's turnover increased sixfold between 1979 and 1983.

"The bridge kept static while the market exploded," Mr. Muller said.

Cedel is seeking amendments in the bridge agreement that would permit it to do processing at night, and to exchange cash and securities with Euroclear several times a day. "This would bring more liquidity to the market," he said.

But Euroclear seems to find the present arrangement largely satisfactory. "The fact of life is that the *bridge works very, very well,"* said Mr. Fox. He added that "there have been consistent efforts to improve efficiency" over the last 12 months.

There do not seem to be any major technical arguments against the bridge amendment, according to those who have studied the question. *They maintain that* processing in both systems and the transfer of transactions between them could be completed overnight in time for the opening of markets in Europe.

Euroclear finishes overnight processing around 3 A.M. or 4 A.M. But because of the terms of the bridge agreement, it only delivers transactioo figures to Cedel five or six hours later. Cedel, whose processing takes about three hours, says that they could have their clients' figures ready by the beginning of the business day if Euroclear made the transfer earlier.

The compeöüon between the two systems certainly accounts for a large part of the present impasse in the negotiations and participants believe that Cedel will remain at a disadvantage until it can assure its clients that there will be fewer settlement delays.

World Debt Crisis Forces Banks to Change Methods

(Continued From Previous Page)

erything is for sale" mentality, Mr. Constance said.

"Not everything can be traded," observed Lawrence Brainard, senior vice president of Bankers Trust, the eighth largest U.S. bank. "But clearly our goal is to liquefy the loan portfolio. The concept of a bank wedded to a customer and keeping loans," he added, "is not consistent with the goal of becoming a multipurpose financial services company."

The aim "is to give banks more profit off the same capital base," he said, adding that "the traditional ootioo of a commercial bank causes some problems with capital."

This conversion of loans into trading instruments has led to an explosion in the volume of note-issuance facilities, where banks undertake to market short-term notes while guaranteeing that they will provide the funds any time the notes cannot be sold. The life of the banks' commitment so far have run as long as 12 years. Borrowers are keen to *use such facilities because* the costs are much lower than traditional syndicated bank loans and slightly lower than publicly issued floating-rate notes.

So far this year, the Organization for Economic Cooperation and Development calculates that $13.1 *billion* of such facilities have been *syndicated in the Euromarket, up* from $800 millioo for all of last year. The banks earn one-time front-end commissions for participating in such deals as well as an annual fee for standing by to take the paper.

Banks always have provided standby credits — to back up the *sale of commercial paper sold* in New York or certificates of deposit issued here. So far this year, the OECD says, these facilities have amounted to $3.8 billion, little changed from the pace of last year.

Assuming the paper is sold to investors, the banks report income from the fees without any increase in the *size* of their *assets. The* reported assets will rise only if the notes are taken by the banks — a contingency that does not show up oo the balance sheet.

There are a number of problems with this. As the issuers are the most creditworthy sovereign or corporate borrowers, they would oormally *only be expected to fall* back on the banks for the money in a crisis. That might be due to problems unique to the borrower or systemic problems.

But analysts worry whether the current low cost applied to such facilities would adequately compensate for the presumed increased risk if banks were forced to take the ootes. This also would be true if a financial crisis made it impossible to sell the ootes. In this case, banks would be called oo to substantially increase their assets — diluting their capital-assets ratio — at the very moment when public confidence in the banks would presumably be shaken.

Bank regulators say that they are studying how to account for such contingent obligations in measuring the capital adequacy of the banks they supervise, and some guidelines are expected by oext year. "The problem," one expert said, "is should examiners take 10 percent of such guarantees into their calculation of a bank's risk assets or 100 percent?"

"It's puzzling," lamented Federal Reserve Board Governor Henry Wallich, "how long it takes regulators to catch up with what the banks are doing."

There are other problems. As the most creditworthy customers rusb to reduce their borrowing costs by arranging such facilities, banks run the risk of winding up with an unbalanced loan portfolio of only weak credits who are not strong enough to sell ootes.

Overall, the supervisory emphasis on capital adequacy is driving the banks to innovate, to generate fee-earning business. Among these is the swap market, where customers take advantage of discrepancies in credit perceptions to sell debt in different markets (fixed rate vs. floating rate, or dollar vs. Swiss franc) where both can achieve the lowest cost and then swap — allowing both parties to obtain the opposite obligation at a more favorable cost of mooey than otherwise would have been possible.

A tremendous portion of the activity this year in the dollar sector of the Eurobond market for floating rate notes and fixed-coupon securities has been swap-driven deals.

Banks earn fat fees for putting swap partners together and, as the competition has increased, banks — which formerly were only brokers matching clients — now are acting as principals, taking positions oo the other side of a swap *until they find a client* who wants it. Banks can hedge the risk of an adverse move in interest rates or foreign-exchange values that could render the swap useless. But the cost of the hedge would reduce the profit. Also, they have no way to hedge the risk that the initial swap party will remain creditworthy.

The rusb to build a liquid, or tradable, portfolio is emerging in the interbank market — the largest "wholesale" sector of the Euromarket where banks lend to each other. Interbank business accouots for some two-thirds of total Euromarket activity.

Increasingly, banks oow prefer to buy certificates of deposit (CDs) of other institutions they are willing to lend to rather than place the money on deposit. Deposits are for a fixed term, ranging from one day to 12 months or longer and premature redemption is penalized. By contrast, fixed-term CDs can be sold in the secondary market.

This, Mr. Wallich said, could have "an insidious effect" on the market, risking to turn what issuing banks thought were term deposits into demand deposits.

He reasons this way: Banks are very attentive to how their CDs trade as the yield on the paper is one of the most visible measures of *a how* a bank is rated in the market.

A sudden wave of sales, depressing the price and pushing up the yield, would presumably force the issuing bank to support the price and the public measure of its standing by buying the paper.

In other words, issuing banks could see their deposits run down much faster than otherwise would have been likely.

And that, Mr. Wallich said, "puts banks more at risk."

If regulators look askance at the methods banks are using to improve their asset management, it is clear that in the current environment of financial deregulation in the United States, Britain and Japan, central bankers are unlikely to impose constraints on the way banks do business.

In addition, the Euromarket has consistently been used successfully by banks or their clients to circumvent domestic regulations.

This does not mean the regulators are powerless.

They have moved over the years to demand to see consolidated reports of banks domiciled in their jurisdiction, subjecting the global operation of banks to the domestic standards of capital adequacy.

And now they are demanding an improvement in the capital base. Capital requirements have been tightened in the United States and may yet go higher, and the West German banks are in the process of assimilating their worldwide operations to conform with the ratios set for domestic business.

How far authorities can proceed in their quest to improve the capital base of banks is unclear as each *national group of banks argues* that every domestic change puts them at a competitive disadvantage internationally.

There is a profound dilemma for regulators, due to the fact that there is no agreed definition of what constitutes bank capital.

Each country has its own definition. Thus, there is no way to measure across oatiooal frootiers whether the resources available to banks are adequate to meet unexpected losses or comparable to the requirements set in other countries.

The only universally recognized elements of capital are shareholders' equity and unencumbered reserves.

Certain elements regarded as integral components of capital resources in some banking systems — hidden reserves, property revaluaöon reserves, subordinated loan stocks, redeemable preferred shares — are not recognized in others.

Not only is there no common definition, there is also no uniform measure of how to relate these resources to the balance sheet as a whole.

The United States, Canada and Luxembourg measure capital against total assets, without distinction between different categories of assets.

Belgium, Britain, France, the Netherlands, Sweden, Switzerland and West Germany weight various categories of assets.

But the precise weights differ in each country.

At present, the so-called Cooke Committee of central bank supervisors at the Bank for International Settlements is seeking to overcome these differences through a system that would include five definitions of capital and variable measurements of assets, ranging from a weighting of 5 percent for claims on government to a weighting of 50 percent for contingent items.

Once supervisors agree on how to measure capital adequacy, they can then begin work on trying to define the desired minimum.

In the meantime, banks in the United States and many other countries are reluctant to raise capital by issuing new shares because the price bank stocks currently fetch are deemed by management to be too cheap — in many cases below book value.

Instead, bank managers prefer to *increase capital* by *retaining* a larger share of higher profits.

The trading room at Salomon Brothers of New York.

Eurodollar Bonds Increasingly Appeal To U.S. Companies for Long-Term Needs

By John M. Berry

WASHINGTON — U.S. corporations, attracted by lower interest rates than they would have to pay at home, have turned this year to the Eurodollar bond market for nearly one-third of their long-term financing needs.

In 1983, U.S. corporations raised a total of $45.6 billion through bond offerings, with $7.3 billion, or 19 percent, issued abroad. This year, about $14.4 billion was raised in international markets in the first three quarters alone. That was nearly one-third of all U.S. corporate bond issues during the period.

Meanwhile, the U.S. Treasury, which faces a huge borrowing requirement because of the federal budget deficit, stuck its toe in the Eurodollar market last month with its issue of $1 billion worth of four-year notes. Relative to what it would have had to pay for the money in the United States, the Treasury saved more than $3 million annually on that issue because of aggressive bidding by European bond dealers.

One key to this surge in financing was removal *of the 30-percent withholding tax the U.S.* government had levied on dividends and interest paid on corporate bonds unless they were issued through a tax haven such as the Netherlands Antilles. Interest on bank deposits, including large certificates of deposit, was not subject to the withholding tax.

Since foreign owners of U.S. corporate stocks and bonds usually are not required to file a U.S. tax return, if no money is withheld from the dividend or interest payments, no tax is ever collected.

With the withholding tax gone, and money generally cheaper in the Eurodollar market than on Wall Street, the surge in borrowing is likely to continue. For instance, the Federal National Mortgage Association, the largest source of residential mortgage money in the United States, plans to go to the Eurodollar market for about $2 billion a year, and it has already begun this borrowing.

So far, because of opposition in Congress related to possible tax evasion by U.S. citizens, the Treasury and the Federal National Mortgage Association are not issuing bearer bonds ensuring anonimity to a buyer. This has given corporations, which are issuing bonds in bearer form, a leg up on the Treasury.

So far, 1984 corporate borrowing in Eurodollar marekts looks as though it will exceed the banner year of 1982, when $51.4 billion worth of bonds were issued, more than $15 billion of them abroad. If the third-quarter pace is sustained — and with falling interest rates, generally, it could be — this year's total will surpass $60 billion, with nearly $22 billion issued abroad.

According to the New York investment bank Salomon Brothers, however, $2.1 billion of U.S. corporate issues were placed in the Eurodollar market in October. That was down from the monthly average of almost $3 billion.

Altogether, foreign purchases of U.S. long-term bonds, whether in the Eurodollar market or directly in the United States, has accounted for nearly half the total *inflow* of foreign capital to the United States this year. That inflow is offsetting a U.S. current-account deficit running at an annual rate of about $120 billion, according to analysts' estimates.

Why have foreigners rushed to buy U.S. bonds? There are several reasons, say most economists who have studied the situation, but prominent among them is the level of real interest rates.

The economic consulting firm Data Resources Inc. recently made a comparison covering seven industrial nations' 10-year government bond rates minus consumer price inflation over the last three years. This version of real rates — which, of course, cannot be measured prospectively over the life of a bond — showed a U.S. level of 4.6 percent for 1983, 4.1 percent in Japan and rates of less than 3 percent in West Germany, Britain and France.

For 1984, the U.S. advantage is even greater, Data Resources concludes. Using its forecast for interest rates and inflation for the remainder of the year, the firm found that the real U.S. rate had risen to 8 percent. European real rates have also gone up, but not as much. The firm estimated the rate in West Germany at 4.2 percent, in Britain at 5.6 percent and in France at 3.9 percent. For Japan it is up to 4.5 percent.

These wide differentials will persist to a significant degree over the next several years, Data Resources believes. For that and other reasons, the firm predicts that the dollar will experience only a modest decline over the next three years on foreign exchange markets.

From a borrower's point of view, there is no exchange rate risk: The bonds are denominated in dollars, their home currency. The borrowers are interested in where they can pay the least for the money they need. In some cases, they don't even need the money.

One highly popular form of borrowing has been the issuance of zero-coupon bonds, Salomon Brothers' chief economist, Henry Kaufman, noted last month. Some of the borrowers have sought to lock in relatively low overall costs as interest rates dropped, while others have used interest-rate swaps to provide a floating-rate feature at a lower cost than if the borrower issued floating-rate debt directly, Mr. Kaufman said.

But most recent zero-coupon bond issues have had another motivation, he added: arbitrage.

The offerings, such as one last month by Exxon Corp., "have been motivated primarily by arbitrage considerations: Corporations have been able to raise funds in the Eurodollar market at yields below those of U.S. Treasuries and are using the proceeds to purchase equivalent-maturity. . .U.S. Treasuries" that have been stripped of their coupons, Mr. Kaufman said.

Thus, a corporation borrows in the Eurodollar market, uses the proceeds to buy a virtually riskless investment paying a higher return and then chalks up a profit. The only real cost is the underwriting fee.

In a recent speech, Deputy Treasury Secretary Robert T. McNamar questioned whether the general surge in popularity of Eurodollar bond issues was due to interest rate deferentials "or the currency appreciation potential on the principal."

"I would suggest that the United States too often neglects the latter consideration, which is often of paramount importance to the foreign investor," he said.

Mr. McNamar recalled that in the late 1970s and early 1980s major Dutch, West German and Swiss reinsurance companies were offering rates that U.S. underwriters could not match but that, nevertheless, triggered a rate war of sorts.

"Subsequently, the Europeans, who may have suffered reinsurance underwriting losses from pricing the business so low to acquire it, profited handsomely from being invested in dollar-denominated assets matched to their U.S. underwriting liabilities," he said.

"First, the European reinsurers had a higher aftertax real rate of return here than in Europe. Second, when they reconverted the earnings to their local currency," they also profited, he said.

From such hidden sources, as well as the more obvious ones, comes the demand for dollar-denominated assets, including those bonds and notes being issued by major U.S. corporations, the Treasury and other creditworthy borrowers. As long as the appetite of foreign lenders for more and more such assets remains undiminished, U.S. borrowers will surely oblige them.

The Revolution in U.S. Financial Services Threatens Survival of Some Institutions

WASHINGTON — The revolution in financial services in the United States is spinning out of control at a time during which the country's financial system is under strains so serious that a significant number of institutions could fail.

Progressive deregulation of both sides of the institutions' balance sheets has thrown their *managers into a new competitive environment* in which it is often hard for managers to evaluate risks much less figure out how to come up with an acceptable level of profit.

Meanwhile, the existence of federal insurance on most types of accounts at most commercial banks and thrift institutions has, ironically, proved to be a spur to taking great risks. Some savings and loan associations, for example, have been speculating in currency futures in an effort to produce big, quick gains to stave off failure.

"We were trustees for years," says Herschel Rosenthal, president of Flagler Federal Savings and Loan Association in Miami. "Now they're saying look, I want you to be an entrepreneur, right, and go into other things . . . What's an entrepreneur supposed to do? He's supposed to make a profit . . . ."

To make those profits, Mr. Rosenthal said, Flagler is taking large risks and "other institutions are going hog wild." In some areas, state authorities have given thrift institutions the right to engage in a wide range of business activities at the same time that the source of their funds, their deposits, are insured.

Some of the regulators state their worries less flamboyantly, but the essence of their problems is the same.

When Congress adjourned last month without acting to close a major loophole in the nation's Bank Holding Company Act — a loophole already being exploited by companies to set up institutions called nonbank banks — Federal Reserve Chairman Paul A. Volcker warned of "the possibility of a progressive unraveling of the basic tenets of public policy that underlie . . . the maintenance of banks as impartial providers of credit, and the avoidance of undue risk and conflicts of interest in the banking system."

Meanwhile, in a speech to the National Bankers Association, Anthony M. Solomon, president of the Federal Reserve Bank of New York, ticked off a list of the "shockwaves" that have hit the financial system in recent months, including the near-failure of Continental Illinois National Bank & Trust Co. "The net result has been nagging fears that our depository institutions have become too risk prone for their own good and that the safety nets that protect depositors and backstop these institutions have encouraged risk taking, by bailing out problem banks and thrifts," he said.

"The fact is the blurring of distinctions among commercial banks, thrifts, securities firms, and insurance companies is unleashing waves of new competition. These waves are swamping a regulatory structure designed to preserve comfortable distinctions among them," Mr. Solomon said. "As a result, the nation's banking and securities laws have become constant targets for evasion."

Blurring of distinctions indeed. Citibank recently began spinning off loans that it had booked to a nonbanking subsidiary. The subsidiary then used the loans as collateral for raising the money that it paid Citibank for the asset. The key to the deal, however, was the involvment of Travelers Insurance Co., which insured repayment of the money raised by the Citibank subsidiary.

Suddenly, Travelers was sharing in the repayment risk of a commercial bank loan, a new phenomenon that has state insurance regulators across the country worried. They feel that the companies they oversee may be moving into areas in which these companies have little expertise in evaluating the risks being underwritten.

At the same time, Citibank has, in effect, become a loan broker and, as it spins off the loans to its subsidiary, Citibank escapes the constraint of rising capital adequacy requirements that the Federal Reserve has been hoping would produce a more stable environment for competition among the large banks to which the new requirements apply.

No matter what the regulators come up with, someone in *the financial community always* seems to be one step ahead. The Bank Holding Company Act defines some quite strict limits about the types of business activities in which a bank or a corporation owning a bank can engage. But what's a bank?

The definition is open to question. If a bank either does not make commercial loans or does not accept demand deposits, then the strictures of the Bank Holding Company Act may not apply — at least the Federal Reserve and the Office of the Comptroller of the United States are not ready to apply them. After Congress failed to plug the loophole, the Fed approved four pending applications for nonbank banks.

One involved acquisition of an existing bank in Florida by Continental Telecom, Inc., of Atlanta, a communications and information-processing company, which normally could not have owned a bank. To be a nonbank bank, the institution will refrain from making commercial loans.

In some instances, the bank holding companies owning major banks have been allowed to acquire failing thrifts institutions far from their home bases. For instance, Citicorp, based in New York, has a network of thrift offices in California, Illinois and Florida.

Sears, Roebuck and Co., the nation's largest retailer, recently acquired a commercial bank in Delaware intending to turn it into a nonbank bank. Separately, Sears — which Citicorp's chairman, Walter Wriston, has for years *claimed operated* the *equivalent* of a *nationwide* bank through its credit operations — is setting up financial service centers in its larger stores. In each are grouped outlets of the Sears' subsidiaries, Allstate Insurance Co., the brokerage firm of Dean Witter Reynolds, Inc., and the real estate firm of Coldwell Banker.

If genuine nationwide banking is eventually allowed, as more observers think will be the case, then perhaps there will be some form of a bank added to the Sears list. Of course, the brokerage firm now can offer the equivalent of many banking services, such as a money market mutual fund against whose shares checks can be drawn, tax-deferred investment accounts for retirement and so forth. Meanwhile, Sears itself continues to make the equivalent of consumer loans to finance purchases in its stores.

Mr. Solomon of the New York Federal Reserve Bank noted in his speech that the issue of nationwide banking has "moved to the forefront on many legislative agendas." However, Congress seems more disposed to let state legislatures lead the way, and there the major interest is in forming regionally restrictive compacts.

One such grouping of states is in New England, where a bank based in any of the states can expand into the others, while outsiders are excluded. "The hallmark of all such compacts is that they exclude those states that are home to the nation's largest banks," Mr. Solomon said.

The result in the case of New England has been the beginnings of what Mr. Solomon predicts will be "extensive litigation" as those excluded try through the courts to force their way in.

In many ways, nationwide banking already has arrived. *Manufacturers Hanover Trust Co.*, one of the New York giants, has launched a new advertising campaign stressing the scope of its services and the fact that they are available virtually in all parts of the country. Part of its move nationwide was based on its acquistion of the CIT Corp., a major consumer finance company operating in many states.

Similarly, banks with credit card operations, such as Visa and MasterCharge, are soliciting customers for their cards in many states where they have no banking outlets. In some cases, the base for the credit card operations has been moved to places like South Dakota, which invited the move by removing usury ceilings and other restrictions to attract the new jobs.

"What all this adds up to," Mr. Solomon concluded, "is an unusually complex and imposing agenda for the regulators and for the next Congress. From the regulators, you can expect a steady flow of policy initiatives designed to shore up financial standards in the industry. From Congress, I think you should expect significant federal banking legislation, since it is clear that failure to act will trigger frantic efforts to exploit the numerous existing loopholes."

Meanwhile, the pressures on individual institutions and their managers are not going away. A former official at the Federal Home Loan Bank Board, which oversees federally chartered Savings and Loans, said: "Put yourself in the position of an executive officer who knows if he *does nothing he'll fail next week — what does he* do?

"Well, he knows if he places it all on Number 7 and gambles it and he wins, he saves the institution, he saves his job and he saves his reputation," the official said. "And what he's putting on Number 7 is not really his money. It's the (federal insurer's) money in the long run."

Under those circumstances, there is a lot of gambling going on in one form or another, and the regulators cannot stop it.

— JOHN M. BERRY

London Stock Exchange Readies Itself For Second Phase of City Deregulation

Special to the IHT

LONDON — When the Union *Bank of Switzerland* bought into the London stockbrokers Philips and Drew in November, it ended the first phase of the City — or more particularly stock exchange — revolution. Each of the top half dozen stockbrokers that wanted partners now had them. Three have international links: Hoare Govett, probably the market's biggest player, has Security Pacific National Bank from the United States; Scrimgeour Kemp-Gee has Citicorp, and James Capel has the Hongkong and Shanghai Banking Corp.

The other major brokers have been more parochial. The market's second largest firm (according to a survey last year), Grieveson Grant, has joined forces with London's best capitalized merchant bank, Kleiowort Benson. Greenwell's, which is pre-eminent in the U.K. government bonds (called gilts) has bound itself to Samuel Montagu, the merchant bank owned by the weakest of London's big clearing banks, Midland; the Queeo's stockbrokers, Row and Pitman, joined the all-English conglomerate of merchant bankers, SG Warburg, gilt specialist Mullens, and jobbers (market-makers) Akroyd and Smithers. Only one major firm, the blue-blooded Cazenove, has decided to face the future alone, and even they are discreetly soliciting more capital.

The odd aspect of these alliances is that they have been forged even though nobody knows what the structure of the London securities market will be after 1986. Some time in that year — or perhaps even before — the minimum commissions that make London one of the world's most expensive securities markets will be abolished. The arcane distinction between brokers (agents) and jobbers will disappear, allowing brokers to take positions in stocks. At the moment, they live entirely from the commissions they generate.

It is more than likely that some of the major deals have been made on false premises. For instance, it was generally assumed that the stock exchange would allow corporate membership, so if Deutsche Bank — which has made no move for a stockbroker — wanted to trade securities in London it could apply for membership of the stock exchange. Corporate membership now seems unlikely. Instead, the stock exchange appears to want institutions that want to deal to buy out existing individual members of the exchange.

The system will be similar to the way personal seats on future exchanges are traded. The system also will be proportional, so large traders will have to have more seats than small players. The real merit of this system is that it looks after the interests of the bulk of the exchange's 4,000 members who work for small or medium-sized firms. They will either get new jobs or a handsome check for their membership badges. Most importantly, it also is in keeping with English traditions. Until 1970, individuals could buy the right of membership, which varied in price according to the state of the market.

"The all-time low was just after *Dunkirk*," recalled one member. "Then you could buy a nomination [membership] for a packet of cigarettes."

This is a bold move by the London Stock Exchange. It assumes that the stock exchange will remain the central market for British equities and gilts after deregulation. At the moment it has two major competitors: the market in ADRs (American Depository Receipts) and, less importantly, London's several over-the-counter markets. ADRs are not a recent phenomenon; the first was launched before World War II. Essentially, they allow investors to deal in British equities without going through the exchange. Iovariably, they are priced off the exchange's prices. U.S. companies have often built up substantial stakes in British companies through ADRs. London's OTC markets trade the stocks of companies that are not listed on either the stock exchange or the less demanding Unlisted Securities Market (USM) — housed and controlled by the stock exchange. The companies listed by some OTC market-makers are often highly speculative, with short business histories. Generally, the OTC market-maker also acts as the companies' merchant bankers.

This summer, Robert Fleming, ooe of the City's leading merchant banks, handling a portfolio of more than £10 billion, infuriated the Stock Exchange and started to make a market in electrical shares listed on the London Stock Exchange. Fleming is not a member of the exchange and so could deal more cheaply (becanse it need not charge even minimum commissions) than stockbrokers. Investors mnst have dealt with Fleming in reasonable numbers because it has managed to keep its experiment going. More merchant banks are likely to fnllow Fleming's example.

The stock exchange's greatest attraction to the British anthorities is that it is a self-regulatory body. It does launch investigations and punish errant members — often by hammering (closing down) their firms. The alternative to self-regulation would be regulation by something akin to the U.S. Securiöes and Exchange Commission. That is anathema to both the conservative government — which derives a great deal of its funds from stockbrokers — and the Bank of England, which jealously guards its control over most facets of City life.

The government believes that the two self-regulatory bodies, both with statutory backing, will be enough to control the City. One will look after the securities industry — acting with existing self-regulatory associations like the Stock Exchange — while the other will preside over the insurance industry. It has totally ignored the much trumpeted paper produced by Professor Jim Gower on how investors should be protected. He proposed 14 self-regulatory bodies and a complicated system of licenses for investment advisers, stockbrokers and even financial journalists.

The reform of the most important securities market in London — gilts — looks like being in the interests of the stock exchange. All the dealer/market-makers will have to be members of the stock exchange, under the Bank of England's recently published draft proposals. Any idea of the U.S. system of auctions has been ruled ont. Together with the relatively high capitalization required to become a dealer/market-maker in gilts and the larger number of expected applicants, this looks very much like a move to head off too much foreign influence in the market. Many bankers and brokers fear that the high capitalizatioo (perbaps as much as $50 billioo) and the large oumber of dealers (at least 25) will result in firms having to take large speculative positions in order to make money.

"There won't be enough business to go round otberwise," complained one merchant banker last mooth. At the moment, two gilt jobbers, Akroyd and Smithers and Wedd Durlacher, handle around 85 percent of the business. Their joint capital would just top $100 million. The new dealer/market-makers seem likely to get similar tax breaks for making markets, thus increasing the competition. It also seems likely that the government supply of gilts will dwindle in the next few years. This year, the British government will take only £8.5 billion ($10 million) from the market. Almost $5 billion will come from the sale of public assets. British Telecom alone will raise about $4 billion.

The reasons behind the shake-up in the City are simple. Both the Bank of England and the treasury believe that Britain's manufacturing industry has a dim future. Both feel the country's main hope lies in supplying services to the rest of the world. Indeed, the country's so-called invisible exports — earned from banking, insurance, trading financial instruments and currencies — consequently have come to the rescue of a toppling balance of payments. Maintaining or improving Loodoo's positioo as the world's third financial center, after New York and Tokyo, became crucial.

So far the authorities' plan has beeo successfol. Britain's best clearing banks, National Westminster, Barclays and the recovering Midland have all taken shares in securities firms, laying the foundations for well-capitalized, indigenous conglomerates able to compete with the Americans and Japanese, not only in Europe but also around the world. But the most heartening news for the authorities is the advent of the Union Bank of Switzerland and the largest German bank, Deutsche Bank. Not only has Deutsche Bank given up the battle of maintaining Frankfurt as a Euromarket center — it recently announced that it was going to move its top Euromarketers to London because they were missing out in Germany — but it also has taken a stake in the British merchant bank Morgan Grenfell. It paid about $18 million for a 5-percent stake in the bank. Deutsche realized that it could not be left out.

Significantly, the only group to have made no marriage proposals in the City this year is the Japanese. Their banks and securities houses are heavily represented in London. Grafting bits of brokers on to them would appear easy. Yet, their strategy is astute. In all the deals so far, the brokers' partners have come off best because they have just had a two-year bull market, which has pushed the Financial Times index to record levels. Once into a bear market, the stockbrokers are likely to drop their prices.

John Copes-van Hasselt

Traders on the floor of the London Stock Exchange.

In Luxembourg, Growth Continues On a Calmer Note

By Michael Metcalfe

LUXEMBOURG — As a major Euromarket center serving the needs of a credit-hungry world, *Luxembourg* has come of age.

If oew brass plates are oot springing up at quite the same rate as before in the offices lining the Boulevard Royal, Luxembourg's banking artery, the partial explanation is that the Grand Duchy has attained a sturdy middle age.

Its maturity as a Euromarket axis has coincided with a reappraisal of Eurolending activities, a tightening-up in regulations by banking supervisors and subtle changes in lending patterns in the Euromarket banking system.

Gone are the heady days when international banks flocked to Luxembourg to cash in on the start of the surging tide in Euromarket lending and Eurobond funding. They are oow replaced by a period of calmer yet steady growth.

"If in 1956 only 20 banks were active in Luxembourg, with a combined balance sheet total of hardly $1 billion, we count at present 114 banks with a combined balance sheet total of more than $120 billion," said Edmond Israel, executive board member of Banque Ioternationale à Luxembourg.

Despite a very small oumber of defections, Mr. Israel believes that new banks will still find it advantageous, even profitable, to settle in Luxembourg, even if the stream has changed to a trickle.

The main reason behind the trend is the observation that Luxembourg is undergoing a new phase in its development, which will have important repercussions for Luxembourg's continuing prominence as a financial center.

"A third phase started only recently and is characterized by the developmeot uodertaken by a oumber of banking operations in Luxembourg of a broader range of operations and services offered more specifically to private and institutional investors," Mr. Israel said.

He said these activities included portfolio management, trust business and gold transactions as well as expert advice to individuals and institutions on problems directly or indirectly related to banking and finance.

An example of the shift away from wholesale banking — with Euromarket transactions one of the great mainstays of its business — toward a greater emphasis on private, or retail, banking, is to be found in the type of oew financial institutions opening in Luxembourg.

These ioclude Ioternational Bankers Inc., which focuses its busioess on internatiooal-trade funding and commercial financing rather than on the traditional Euromarket lines, and the various investment funds that have sprung up in the last 18 months.

Pierre Jaans, director general of the Luxembourg Monetary Institute, which supervises banking activities in the ducby, is particularly pleased to oote that the oumber of investment funds increased from 100 to 160 last year, benefiting from the advantage that their structure allows them to avoid paying interest earned on the Euromarkets as well as tax on dividends.

Bypassing the traditional channels of Euromarket financing for trade, industry and state entities remains the exception rather than the rule, however, for most banks operating in Luxembourg.

But there are worrying signs. After peaking in 1979, Luxembourg banks' share in total Eurocurrency transactions — with 12.4 percent of all lending and 11.4 percent of all borrowing in Euromarket centers, according to figures compiled by the Basel-based Bank for International Settlements — the share fell to about 10 percent of lending and 9 percent of borrowing in 1983.

According to the 1983 annual *report of Banque Internationale* à Luxembourg: "Luxembourg's market share [in Euroloans] has been shrinking slightly each year since 1979. This contraction is due to increased competition from other financial centers and, to the major proportion, accounted for Deutsche-mark transactions in the activities of Luxembourg's banks. These transactions have decreased statistically because of the value of the mark against the dollar."

A lot hinges on developments in the Eurobond market, traditionally one of the main props of the Luxembourg banks' international operations.

Here, the picture was mixed last year, with issue activity on the whole slackening in 1983 from the previous year's record levels. Total volume of new issues dropped 19.5 percent, from $53.8 billioo in 1982 to $43.3 billion io 1983, with the fall principally explained by a reduction in the volume of Euroboods denominated in dollars, whicb went down as a proportion from 83.5 percent to 76.2 percent.

However, as Mr. Israel noted, as a result of the issues in Deutsche marks and Canadian dollars the Luxembourg banks' share in public issues of Eurobonds amounted to more than 24 percent in 1983, against no more than 16.3 percent in 1982.

By the same token, issue volume of bonds denominated in the composite currency of the European Community, the European Currency Unit (ECU), expanded vigorously, more than doubling, if compared with 1982 issue amounts. Luxembourg bankers share the view that the ECU-segment of the Euromarket will gain in importance in the years to come and could provide banks, as well as clients, with a greater measure of portfolio security than the fluctuating U.S. dollar and individual Eurocurrencies.

As for future developments in the Eurobond sector, Luxembourg bankers expressed confidence that the sector had enough resilience and popularity to witbstaod changes in the international financial markets.

In this context, bankers such as Mr. Israel agreed that the abolition of withholding tax on interest paid on U.S. boods, which initially sent shudders through the Eurobond market because of the expected effect it would have of cutting investment io Euroboods by investors intent on cashing in on the higher yield-bearing U.S. domestic bonds, failed to live up to the original fears.

On the contrary, new-issue volume on the Eurobond market increased sizably in the first nine months of this year, outstripping last year's comparable levels, and there are sound indications that the Luxembourg banks will continue to increase their market share in late 1984.

The international emphasis of the Luxembourg banks is borne out by the fact that their cumulative balance sheet total, or total assets, has 89 percent of its total denominated in foreign currencies, with *the Deutsche* mark and dollar predominating.

The two currencies, with the dollar leading by a slight edge, reign supreme in the interbank market, still the major funding source for syndicated credit loans originating from Luxembourg.

The mark assets, which in terms of lending make up more than 40 percent of all Eurocurrency loan transactions carried ont in the Grand Duchy, highlight the importance of the West German banking presence in the Luxembourg interbank market.

In turn, the Swiss banks serve as the main sources of fnnds to the market, while the 14 Nordic banks represented in Luxembourg are the main receivers, acting on behalf of big domestic corporate elients, chiefly located in Sweden.

It is, however, the West German banks, which, oumbering about 30, make up the large national contingent and act as the principal force in the ducby.

The German banks have helped to make Luxembourg the premier center for Deutsche-mark bond issue on the Eurobond market, with more than 37 percent of the total Euromark bonds raised in 1983 and valued at some $4 billioo originating in the duchy.

But while their influence and financial contribution continue to make a sizable mark on the banking landscape of Luxembourg, the West German banking supervisory authorities have waved a red flag at the duchy's German subsidiaries by imposing more stringent capital/lending ratios and demanding greater transparency in accounting methods.

The controls, while hardly ruling out the presence of West German banks on Luxembourg soil, are certain to lead to a shift away from expansion toward a more cautious lending attitude on the part of the Germans.

Signs of this development are already in the offing. According to official figures, the West German banks have seen their share of Luxembourg's total Euromarket busioess decline from about 55 percent in 1980 to the present 48 percent, while lending and deposit levels are down too.

Luxembourg's share of total Eurodollar business is also giving some cause for concern amoog tbe duchy's bankers. Although this proportion improved last year to 16.2 percent from the 12.5-percent level it had fallen to in 1982, it remains a far cry from the 20-percent share Luxembourg carved out at the end of the 1970s.

Other discomforting signs are prompting the duchy's banking authorities to come up with new ways to entice foreign banks to remain and to expand their operations. While it retains third position behind London and Paris as a Euromarket business center, its share of the total market has fallen to its lowest levels since the mid-1970s. Moreover, other offshore centers have gained in prominence at Luxembourg's expense.

As a consequence, the authorities are eager to foster diversification into other financial outlets, of which retail banking offers the most advantages. "We are trying to develop a stronger private-customer service in the ducby, and the banks can help us in this process to compete in some ways with the likes of Switzerland," a Finance Ministry official said.

Gold is exempt from sales and turnover taxes in Luxembourg, and it provides an important market for banks seeking to draw the private investor. The Luxembourg Bourse is being encouraged to expand its business in the secondary Eurobond market. Double-taxation treaties are oo the increase, as is the market in certificates of deposit, the official said.

Operating profits of the banking sector, which rose about 15 percent in 1983 and look set to exceed that amount this year, bear out the notion that Luxembourg is far from being a second-league player in the Euromarket stakes.

But as Gunnar Olsson, managing director of Skandinaviska Enskilda *Banken's* Luxembourg subsidiary, pointed out: "The banks here must find new fields of activity and seek to widen the range of the services the more traditional channels of the Euromarkets have to offer."

By moving in this direction — as it appears to be doing — Luxembourg has every chance of remaining in the top league of major Euromarket centers, even if the degree of busioess emphasis *has shifted* perceptibly.

John Copes-van Hasselt

The Luxembourg Stock Exchange.

Debate Continues On Gold's Future Among Investors

By Vivian Lewis

PARIS — Many companies, buffeted by currency fluctuations, are trying to hedge on investments. As it turns out, it is often unexpected companies that benefit — or lose — from the foreign-exchange market turbulence.

In the copper business things may not be looking up yet, but Anthony Hichens, managing director of Consolidated Goldfields, is convinced that the price of gold is about to rise again.

"You might well get a speculative price rise in gold if the dollar parity falls sharply," he said. "And some of the hot money that has been going into the U.S. Treasury may go into gold."

Consolidated Goldfields, whose main business is gold, began as a South African company but actively invested to diversify into what were deemed safer countries. In the United States, he has taken a major stake in Newmont Mines, copper miners.

After the South African investor's profits had first been buffeted by what Mr. Hichens said was a 15-cent increase in costs caused by the Environmental Protection Act, the company's selling price was slashed by the rise of the dollar. Because metal prices tend to move inversely to the dollar parity, copper is trading at 55 cents. "It would be one-third higher had it not been for the rise of the dollar," Mr. Hichens said.

Other multinational companies have found that the political risks and rewards worked the other way. Frank Popoff, a member of the Dow Chemical board and head of its European operations, admitted that foreign exchange had helped Dow's bottom line. In the European region in 1983, out of total net profits in the region of $188 million, foreign exchange earnings accounted for $20 million. Worldwide, the same pattern applied.

While Dow is best known as a chemical company, it has diversified heavily into banking and owns a Swiss bank, a stake in the Amsterdam bankers Mendes Gans, and the merchant bank Arbuthnot in London, as well as a 29.9-percent stake in the London brokerage Savory Milln. If one aims to make profits hedging exchanges, it probably helps to do so earning fees as a bank rather than putting one's chemical production profits at risk.

Could anything be more domestic than producing coal in the Ruhr in West Germany? Yet, Ruhrkohl's finance manager, Günther Christoph, explains that because steel coking is priced in dollars, the government has to pay his company price supports linked to the parity of the dollar.

Because West German steel companies could buy coking coal from the United States at prices below what West German mines must charge, the government is giving the German mine companies a subsidy of 50 Deutsche marks a ton. This is below the subsidy level when the dollar was cheaper and U.S. coking coal more competitive (the situation a few years ago). But prices and profits at Ruhrkohl, which sells in marks and prices in marks and keeps its books in marks, depends very heavily on the lags (or leads) in the government coal subsidy it gets — which Mr. Christoph does not hedge.

At the annual general meeting of Roussel-Uclaf, a French pharmaceutical and agrochemical group controlled by the French government and Hoechst of West Germany, shareholders were told by the chairman that "every time the dollar goes up by 10 centimes, our profits rise by 16 million francs." He also indicated that the dollar-franc exchange rate accounted for 30 percent of the company's 1983 sales and profits (both directly to the United States and, more importantly, in third markets). Profits amounted to 352 million francs, up 150 percent, but presumably an erosion of the dollar's strength would be dangerous for Roussel.

Some multinationals have less exchange risk than others. At Air Liquide, the foreign-exchange manager, André Gester, said that the company was " a special case" because of the need in its business for local implantation. "We use local finance for capital expenditure, so debt and exchange problems do not exist," he said. "Our American subsidiary, for example, is locally financed. And there is very feeble movement of goods between subsidiaries."

All of which does not mean that at the end of the year, when the consolidated accounts are prepared, the rise of the dollar does not have a balance-sheet impact. If the parity against the franc is stronger, Liquid Air of North America is paying higher dividends to its parent Air Liquide in francs. (The dollar represents a quarter of consolidated sales.) But Mr. Gester said: "We may have a consolidated-account problem, but it does not reflect economic exposure."

In part because the oil industry pays for its raw material in dollars and cannot sell its gasoline in anything but the local money, hedging opportunities are limited. The French subsidiary of British Petroleum borrowed in francs last year at a higher rate than it would have had to pay for Eurodollars, arguing that "we have too much dollar risk already."

Another British oil company has calculated that every 10-cent rise or fall in the price of a barrel of crude oil translates to a rise or fall of five British pence in the pump price for an imperial gallon of gas. When prices are rising, however, and not only in Britain, companies cannot recoup the cost increase. So when crude prices fall they enjoy the luxury of taking their time passing the cuts through to the pump.

This second British company, like others that are traded on U.S. as well as European exchanges, follows the U.S. standard in accounting for foreign-exchange effects on investments and income, using the U.S. FASB-52 rules. For a foreign currency-reporting company this introduces an element of distortion (as do the IAS 21 and British SSAP-20 rules, which are similar). To really work out the course of profits and losses one should retranslate (using the stated exchange rates) back into the original currencies to spot the trend without introducing extraneous exchange factors, in the view of this company's accountant, who is among Britain's most noted industrial advisers to the standard-setters of the profession.

A much more modest British multinational, Bowthorpe Holdings, in the electrical industry, says it runs a decentralized and ad-hoc foreign-exchange position. "If we need foreign currency, it is left to the individual companies, who have complete day-to-day autonomy," said the finance manager, Steve Temberton. "They can buy forward or take a purchase option forward. But they advise us if there is a large position and we monitor it."

The company makes no attempt to net out transactions between its subsidiaries, in part because most of the flow is one-way, Mr. Temberton said, "As a group, we are net dollar users, and we cover when we feel this is necessary."

Despite this easygoing style, Bowthorpe has been covering in the crucial period "since you got two dollars to the pound." This has not made the company money so much as cut potential losses. "We use dollars rather then selling dollars," Mr. Temberton said. And, he noted, "we talk to our bankers all the time."

A handful of gold: Investors attempt to forecast its price.

'Made in Britain:' Financial Revolution Starts to Cross Channel

PARIS — Although it has not yet drawn much attention, the financial revolution that has become a cliché in London has already made inroads across the Channel. In France, too, old links are being challenged and new mechanisms to unify previously disparate markets are being created.

Since in France the leading players are nationalized, matters may be moving more slowly because government permission has to be obtained. But they are moving, nonetheless. A leading nationalized insurance company, Union des Assurances de Paris, has merged its small house bank with a large but troubled French nationalized *banque d'affaires* (a combination investment bank and financial and industrial holding company not found outside the French-speaking countries). Under its new insurance masters, the Banque Worms will have a substantial and necessary capital increase and the opportunity to offer products that combine investment banking with insurance to a wider field of customers. These products will include annuities and pension plans or insurance-linked mutual funds.

Another leading banque d'affaires, the powerful Paribas group, has just become the largest shareholder of Merrill Lynch, a company whose name is synonymous with U.S.-style capitalism. This is a peculiar position for a bank nationalized by France's President François Mitterrand. Paribas parlayed its control of Becker, another Wall Street house that offered certain attractive market specialties, into a dominant shareholding (but still only a shade under 4 percent) in Merrill. Even without takeovers, the pace can be heady. Yet another leading banque d'affaires (rival for the No. 1 slot with Paribas) is Cie. Financière de Suez, whose banking arm, Banque Indosuez, has just created a combined dealing room. It combines money-market transactions and financial-market ones, dealing on the French market and the foreign or Euromarkets, and short- and long-term operations. Instead of creating a special room for traders in exotica such as futures and options and swaps, Indosuez has launched the first integrated dealing room. The new area, covering 1,000 square meters (10,760 square feet) of the bank's building (with as large an area for backroom trading), is geared to breaking down frontiers between the various types of operations.

For the bank, this allows internal risk management and arbitrage to be reinforced. For customers, it provides rapid access to a range of alternative sources for use of funds, which can be priced and compared regardless of the earlier category the deal might have fallen into. "To be competitive or to avoid losses, you need information on other markets when you operate in a single market," said Jean-François Lepetit, manager of the new Indosuez section. For Indosuez, as for its French and foreign rivals, the problem is the same. Credit is becoming cheaper, margins are shrinking and risks are high in the traditional banking business or lending out of funds. "We are seeking a means to increase our balance sheet without increasing lending volume, so we are using financial-market techniques, in a range of markets," Mr. Lepetit said. The interplay is helpful to both the bank and its clients, largely corporate borrowers and institutional placers of funds.

The single dealing room idea is normal in U.S. banks, which use a single currency, the dollar, in markets of whatever kind. But when U.S. banks went overseas into the Euromarkets, in most cases they did not operate the same way, in part because they often were not active in all markets (above all, financing and the longer-term end of the business). Moreover, they did not want to risk pioneering the idea that frontiers are meant to be crossed. It is curious that a French nationalized bank has shown the way.

— VIVIAN LEWIS

A SPECIAL REPORT ON EUROMARKETS

Rise in Investment By U.S. Institutions In Europe Expected

PARIS — Barbara Morrow, vice president of College Retirement Equity Funds, a U.S. pension institution, has become something of a legend. Under carefully controlled conditions, her stock fund was one of the first to invest overseas, initially in Japan (in 1973) and then in Europe (starting in 1979).

In 1981, when President François Mitterrand's nationalization plans slashed prices on the Paris Bourse, Mrs. Morrow put her fund heavily into the stocks of companies on the list for state takeover. Because of more generous compensation than the Bourse anticipated, her college professors' pension plans made substantial profits from the operation.

"I am by nature a contrarian," Mrs. Morrow said. "Our success in coming to Paris was buying what everyone hated."

Asked what the effect would be of the anticipated fourfold increase in U.S. institutional investment in Europe over the next three to four years, Mrs. Morrow said that it might be time to start taking profits. "The easy pickings are over," she added.

If the U.S. investment flow into Europe does quadruple, it will mark a pickup of a trend. Because of a variety of factors, ranging from changes in regulation of U.S. insurance companies to the anticipation of exchange gain if the dollar begins to depreciate against foreign currencies from its recent very strong levels, a considerable influx of dollars has already been perceptible in European stock markets. Then, too, an ever greater number of companies from Europe are getting listed in the United States in the form of U.S. depository receipts.

When Mrs. Morrow pioneered investing in Eurostocks, the managers of her funds were so frightened of the initiative that they had her "buy the index" — that is, match her portfolio to the market as a whole by industrial sectors. "We can select stocks" but not sectors, she said. (In 1981, in France, "because no one knew what the index would be, we had a lot of flexibility," Mrs. Morrow said.)

In many funds today, similar restrictions, usually pegged to the Capital Management International index published in Geneva, still apply, although fund managers are critical of the lack of objectivity in the index, which capitalizes the entire stock of a company even if only a portion is publicly traded, as in the case of controlled companies, interests of holding companies and partly state-owned companies.

Other restrictions are falling fast, however. Until two years ago, said John Birmingham of Allstate Insurance Co., "we were not allowed to invest in foreign stocks at all; now we can invest up to 10 percent of our stock portfolio, which we are slowly working on."

Mutual funds have been much quicker to go European than the huge institutional investors, diversifying more widely their much narrower total funds to invest. A Boston-based fund, Wellington, is heavily invested in Europe, and, through Marie-Claude Bernal, its funds manager, it is 15 percent invested in the Paris Bourse.

Mrs. Bernal is French, but her Gallic loyalties are not the only reason for investing in France; big French portfolios are also held by Chase Manhattan and Morgan Guaranty fund managers. (Morgan's Hans Zinsser is another investor who played the nationalizable companies in 1981).

"This time the Americans are serious," said Jean-Michel de Troyat, head of de Troyat, the leading French independent firm of financial analysts. "They have been talking about internationalization for 10 years, but now they are doing something." In the case of the household name — Dutch companies in particular, such as Unilever or Philips — the American shareholders, mostly institutions, already own at least one share in five outstanding. The smaller the national stock market the European company is listed on, the greater the potential impact of the U.S. institutions.

Sometimes the institutions stampede, not to buy the stock but to sell it. And their impact can be devastating for the unsuspecting European management unprepared for institutional copycatting.

In 1981, Novo Industri of Denmark, the world's largest producer of industrial enzymes and the second largest producer of insulin, achieved a U.S. listing. At the start of this year, U.S. investors held more than five million shares of the firm, and no less than 47 percent of the publicly traded "B" shares. Then came a series of blunders that led to a major sell-off of the company's American Depository Receipts and the halving of its quotation from the $48 of early August.

After investors had become used to sales gains of 20 percent a year and even heftier profit increases, the company shattered their confidence by reporting 1984 first-half sales up 12 percent while profits per share fell. Then management came up with a forecast of 10 percent higher sales and profits for the year. But in October, company officials from Bagsvaerd, Denmark, admitted that sales and profits would be flat in 1984 — and flat in Danish kroner, so in dollar terms the figures will be down about 15 percent.

Other European companies have suffered from the rush of U.S. institutional investing, and it is probable that this rush out of stocks once favored reflects something more than merely poor handling of investors by European management.

U.S. fund managers tend to be warier of European issues than of comparable stocks at home, more fearful that they will be blamed for a bad choice. They are more worried about the information they are given and how it is to be interpreted, about the nondisclosure of data that is commonly published in the United States, about the noncomparability of accounts and the lack of full consolidation or full interim reports. They are more fearful of insiders, corruption and cover-ups. European investment is fashionable and trendy, but somewhat dangerous.

That may explain the penchant most institutions have for the ultraconservative European share purchase of the equivalent of a blue-chip company in a market that comes close to U.S. rules.

Hence the boom in London broking and advisory services for U.S. institutions, a major recent new direction of the City's financial-services sector. British brokers have become involved in a major reshuffle, in part because there are so many dollars flowing their way, stimulating their takeover by the U.S. and foreign banks and financial institutions.

At Hoare Govett, James Capel, Savory Milln, and other firms, new teams cover the markets of Europe with in-depth English-language analysis. Roger Hornett of James Capel, who specializes in investing on the Dutch market, said: "I would go so far as to say that as much as 80 percent of the business we are doing is for the U.S. pension fund money, ERISA accounts."

Running these funds through London is reassuring to the U.S. fund managers, it seems, in spite of the fact that most large Dutch companies publish their reports in English, following U.S. accounting norms and can talk on the phone to analysts in Wall Street almost as well as anyone in London can.

A sign of how nervous U.S. investors can be — again from the Netherlands, owing to early publication of balance-of-payments statistics — came earlier this year. In the big Dutch market sell-off during the first quarter, U.S. investors dumped (net of new purchases) 1.109 billion guilders — more than had been bought by Americans in the previous two years. In the years 1947-83, a total of 3.4 billion was invested in Dutch shares and bonds, according to the Dutch central bank.

One-third of the 3.4 billion guilders was withdrawn in the space of three months at the start of this year through share sales and a further 37 million guilders in bonds. In the same period, the Dutch current account was almost 4 million guilders in surplus, so the capital outflow overseas was of substantial significance to the national balance of payments.

U.S. institutions often move in tandem. And in the relatively narrow markets of Europe they can, merely by copycatting, cause substantial havoc.

The Dutch, however, are ready to welcome the Americans back. The Dutch merchant bank Pierson, Heldring & Pierson, in collaboration with its frequent partner, Sal. Oppenheim Jr. & Cie., Privatbankiers of Cologne, have just formed a New York institutional research and brokerage firm for institutional investors covering West Germany, the Netherlands and Switzerland (where the partners are members of the stock exchanges) — and as Pierson Sal. Oppenheim Inc. have become members of NASDAQ.

— VIVIAN LEWIS

Arab Bankers Lose Ground in the Shakeout of World Debt Crisis

By Eva Dadrian

LONDON — Arab banks, which stormed to the top of the Euromarket league by wielding their hefty petrodollar assets in the late 1970s, now find that the restructuring of the market that followed the world debt crisis has left them several paces behind their competitors.

The drift away from traditional syndicated lending to new financial instruments in the Euromarkets underscores the criticism other banks have of the Arab lenders — their lack of versatility and market expertise.

Trouble in the Gulf has also forced the major Arab banks to scale down their activities. The war between Iran and Iraq, the collapse of the Souk al-Manakh stock exchange — now nicknamed the "mausoleum" — and the fall of the Galadary and Al Shobokshi financial empires in the Gulf, and the slump in financing for regional development projects have all curtailed the banks' aggressiveness in the Euromarkets. So, too, has the widening spread between the dollar and the Kuwaiti dinar caused by these crises.

As a result, the Kuwaiti dinar no longer is one of the more sought-after currencies of the international bond market.

The challenge facing the Arab banks cannot be shrugged off by their huge asset base. One London-based Arab banker said that "nowadays capital isn't as important on the market as placement power and diversity."

The amount of syndicated lending in the Euromarkets has shrunk from $133 billion in 1981 to $74 billion last year, and these tight market conditions have ruled out many of the smaller Arab banks. The big ones, like Arab Banking Corp. (ABC) — owned by Kuwait, Abu Dhabi and Libya — have branched into new markets in Eastern Europe, where for political reasons Arab banks had always feared to tread.

This year, ABC lead managed three credits to Hungary, worth a total of $570 million. It is also putting together a group of lead managers for a floating-rate certificate of deposit for the Moscow Narodny Bank. The amount is still undisclosed. ABC also managed to convince the Bank of China, despite Peking's hostilities with Moscow, to come in as a lead manager.

ABC, however, has been slightly less adventurous than its rival, Gulf International Bank (GIB), in jumping on the Euronote bandwagon. The excitement about Euronotes seems to stem from bankers' aversion to long-term sovereign loans after so many Latin American countries refused to make interest payments. These Euronotes allow the banks to act as underwriters who sell off the notes that the client issues with the banks on the guarantee short-term money market. The banks do not receive interest, as with a straight loan, but profit instead by taking fees and selling their client's notes. ABC, which has $4.24 billion of its $10.1-billion assets out in loans, claims that the Euronote business is too "marginal." Profits are not as high as collecting interest on a syndicated loan, but then the risk is smaller.

GIB, however, ranks in the top 22 of Euromoney's tally of banks dabbling in revolving underwriting facilities (RUF). GIB, Al Ahli Bank of Kuwait and the National Bank of Kuwait also made the list with at least four underwriting deals to their credit in recent months. Despite its criticism over the paper-thin margins of the Euronote, ABC could not stay out of a recent $500-million RUF for Spain. The facility was not a success, as ABC and other lead managers were disappointed by the market's lukewarm response. Renfe, the Spanish state railway company, which issued the RUF, had hoped to raise as much as $800 million.

ABC was not alone among Arab banks in venturing into Eastern Europe. Kuwait, traditionally an American ally, has been trying to take a more neutral stance by courting the Kremlin too.

A major purchase of Soviet arms is in the pipeline. Once relations between Kuwait and the Eastern bloc began to thaw, however, the Kuwaiti bankers rushed in. The major Kuwaiti investors, in which the government retains a powerful interest — Al Ahli Bank of Kuwait, the Industrial Bank of Kuwait, the Kuwait Foreign Trading Contracting and Investment Co. (KFTCIC) — dominated the recent $100-million syndication to the Soviet Union. A senior executive of a top U.S. bank said: "They believe that the risk in lending to East European countries or Moscow is equal to lending to any Western borrower. And in short-term lending, as they are doing, there is no major risk involved."

The three Kuwaiti investment companies — KFTCIC, the Kuwait Investment Co. and the Kuwait International Investment Co. — used to be the Arab heavyweights on the Eurobond market, along with the Al Mal group and the Saudi International Bank. But no longer. All three Kuwaiti investment companies suffered heavy losses in the demise of the Souk al-Manakh, the Kuwaiti stock market. Profits of the KFTCIC, for example, fell last year by 50 percent to 11.8 million Kuwaiti dinars. The other two were not far behind.

The Kuwaiti government, in an attempt to prevent the Kuwaiti dinar from falling, is discouraging borrowers from raising cash through bond issues. It is also discouraging foreign borrowers from seeking Kuwaiti-dinar issues. Finance officials are trying to stop too many Kuwaiti dinars from flowing out of the country, because of the liquidity crisis that arose after the stock market crash.

Among themselves, Arab bankers argue over how adroit their institutions will be at grappling with new-fangled financial instruments. Some say they have the necessary professional know-how, built up over a decade on the Euromarkets. But others reply that the depth of talent is simply not there to diversify into more sophisticated products. The international operations of most Arab banks are still centered in the Middle East, and lending officers in London often complain that the lengthy chain of command impedes them from making the swift decisions needed to stay abreast of the market.

One outspoken Arab banker said: "It is not just a question of having the capital to play around; you should also know how the game is played. It takes many years of experience to gain that expertise. The market is changing rapidly, and it won't wait for the Arab bankers to catch up."

The Gulf states recently announced plans to set up a bankers' training institute. "This ought to help," one U.S. banker said.

The trend has been for Arab banks to manage their portfolios cautiously. They have cut down on sovereign lending outside the Middle East. ABC, for one, has widely managed to shed its Latin American loans from 35 percent of its total assets in 1981 to 16.5 percent last year. Instead, most banks are opting for loans to top corporations, project finance in the Arab world, Europe and the Far East, and raising funds for clients through bonds and floating-rate notes.

U.S. Dollar Expected to Sag Because of Deficit, Interest

By John Presland

LONDON — One can expect the dollar to end 1985 well below today's high levels. The buge trade deficit registered by the United States this year demonstrates graphically the loss of competitiveness that dollar overvaluation has produced.

There is every reason to believe that foreign capital will *not* be available to fund the U.S. current-

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account deficit at present exchange rates in 1985, for real interesi rates seem set to decline, while the benefits of expansionary U.S. fiscal policy will leak abroad to foreigners, and U.S. growth will slip to bttle above that of its competitors. Moreover, confidence in the management of the U.S. economy will be hurt by failure to resolve the budget deficit and by changes at the Federal Reserve.

The Reagan administration's disregard of the promises of a balanced budget that it made on taking office in 1980 has been a major support of the dollar. The $175.3-billion federal bndget deficit of the financial year to September has combined with the Federal Reserve's containment of money-supply growth to keep interest rates high and attract foreign capital. And a deficit of the same order in the new financial year will underpin U.S. interest rates next year.

But concern about the slowdown in economic growth — to an annual rate of 2.7 percent in the third quarter after a 9-percent annual rate in January through June — has joined the negligible rate of monetary growth since mid-year and concern about the impact of high interest rates on the fragile U.S. banking system to prompt the Fed to ease its stance. Aggressive creation of reserves has brought short interest rates down by two percentage points in the last two months.

A pickup in economic growth is widely anticipated during the current quarter, with most forecasters expecing gross national product, adjusted for inflation, to rise at a rate of about 4 percent. But troubling signs are appearing. The composite index of leading economic indicators, though up 0.5 percent in September, declined in each of the preceding three months, a development that in the past has often signaled recession.

Easing of economic growth to between 3 and 3.5 percent in 1985 (from 7 percent year-on-year in 1984) is more widely expected than that by U.S. analysts. But the Federal Reserve is clearly worried and is anxious to support growth by encouraging lower interest rates. The dollar's continued weaker trend reflects market conviction that the Fed Open Market Committee meeting Nov. 7 resolved to keep policy easy.

So, although nominal interest rates may go back up over the next quarter on stronger economic growth and credit demand, their support for the dollar looks set to weaken in 1985. And real interest rates will be eroded by higher inflation: Inereasing capacity constraints and dollar depreciation are widely expected to push inflation up from the 3.5 percent per annum of the last quarter to an annual rate of 6 percent by late 1985.

The benefit of the dollar gains from the budget deficit is rapidly being eroded by movemenis in the U.S. current account, for fast-growing trade deficits mean the benefits of expansionary U.S. fiscal policy are increasingly being felt by foreign, not domestic, producers.

Without surging imports, third-quarter economic growth would have been nearer 6 percent, annualized, than the actual 2.7 percent. And as the surging current-account deficit boosts the supply of dollars to foreign exchange markets next year that will increasingly counteract the demand for dollars created by high U.S. interest rates.

The merchandise trade balance has deteriorated drastically this year. January-September had a $96.3-billion deficit. That compares with a record full-year deficit of $69.4 billion in 1983. The Commerce Department expects the 1984 deficit to total $130 billion and 1985's to rise to $160 billion.

Trade in services, meanwhile, moved into deficit for the first time since 1979 in the second quarter of this year. And rapid growth in U.S. borrowing overseas, whicb will turn the United States into a net debtor by the end of 1985, has been reflected in flagging investment income inflow — down to $14.6 billion per annum in April-June from $34.1 billion in 1981.

Forecasts of a U.S. current-account deficit of $100 billion this year are, therefore, now common. And the decline in invisibles income threatens to narrow the gap *between the current- and trade-account deficits next year.*

The Jannary budget's failure to provide for significant cuts in the federal deficit will increase doubts about long-term economic stability. And Paul A. Volcker's resignation as chairman, likely next year, will hurt confidence in the Fed's anti-inflation resolve — particularly if he is replaced, as appears probable, by someone like his present deputy, Preston Martin, or Secretary of State George P. Shultz, whom markets would expect to be less resistant to administration pressure to promote growth at the expense of higher inflation.

With Japan's current account in record surplus ($18.8 billion in April-September) and political worries calmed by Prime Minister Yasuhiro Nakasone's having won a second two-year term, the yen appears to be the prime candidate for appreciation against the dollar in 1985. The way long-term capital flows evolve will be crucial in determining how far the unit rises.

In the six months to September, long-term capital flows amounted to $26.8 billion, more than twice the preceding half-year's record of $11.4 billion. Samurai bond issues, yen-syndicated lending and Japanese purchases of foreign bonds are expected to ease somewhat next year, while economic growth, running at 4-5 percent above that in the U.S. or Europe, will attract portfolio capital inflow.

Net long-term capital inflow may thus be below the $30 billion to $35 billion currently expected next year by Tokyo analysts — a figure significantly below the widely forecast $38-billion current-account surplus. The resulting positive basic balance of paymenis should propel the yen upward to perhaps 200 yen to the dollar at the end of the year.

West German economic growth has lagged well behind that of the United States this year. But the 2.25- to 2.5-percent rise in gross domestic product expected this year is much more soundly based — and hence more sustainable in the long term — than that seen across the Atlantic. Public finances are improving rapidly, with total public-sector deficit next year likely to be less than 2 percent of GDP. And inflation was only 1.6 percent in the year to September. Meanwhile, the current account looks set to match last year's surplus of 10 billion DM.

Growth forecasts for 1985 range from just under 2 percent to 3 percent, much closer to expected U.S. growth than the actuality of 1984. All forecasters expect to see the current account in surplus and inflation of 2 to 3 percent. Those prospects will appear increasingly attractive to investors as the consequences of the unstable fiscal- and monetary-policy mix in the U.S. become clear. Even Bundesbank encouragement of lower interest rates to promote growth and belp combat 9.4-percent unemployment is unlikely to deter capital inflow as confidence in the dollar erodes.

The growing scandal about connections between the Flick group and politicians in the governing coalition casts something of a political shadow over the Deutsche mark, as do the successes of the Greens and Social Democrats in local elections. But this should not prevent the mark from rising to 2.50 to the dollar, or better, by the end of 1985.

Sterling has been the most dramatic victim of the dollar's strength in 1984, tumbling to a record low of less than $1.19 Oct. 18. And the currency will not reverse that fall next year.

In trade-weighted terms, sterling remains overvalued, as is reflected in the deterioration of the nonoil trade balance; The first half of this year saw that in the £5.1-billion deficit. Sterling's oil prop is being eroded. And the British monetary authorities will seize every opportunity offered by dollar weakness to bring interest rates down.

The production cut by the Organization of Petroleum Exporting Countries in October, of 1.5 million barrels a day, has helped the spot oil market. And low world oil stocks may combine with a cold winter to push oil prices higher in the short term. But the oil cartel's price will come under severe pressure in the spring. And, price trends apart, the volume of British North Sea output will peak in 1986.

Meanwhile, the on-shore economy is weakening. Industrial production is lagging below 1980 levels, medinm-term leading indicators have declined in each of the last four months and the latest Confederation of British Industry survey shows business confidence down sharply (24 percent of directors surveyed now consider the economic outlook better than six months ago; in February, 65 percent were optimistic). Even Conservative parliamentarians are growing increasingly restive about the prospects of yet higher unemployment.

Hence, expectations are that the Bank of England will negate any sterling strength on the foreign exchanges by encouraging easier interest rates — and that even a success for the government in the long-running coal dispute will give the currency only a temporary fillip. The pound is likely to end 1985 above $1.30 only if the dollar's fall proves precipitous. And a decline to 3.20 DM appears probable.

The dollar's strength during 1984 has given the European Monetary System an unprecedented period of stability. During periods of dollar weakness, when investors are moving funds out of dollars it is not into the historically high-inflating French franc and Italian lira or into the system's minor currencies that but into the Deutsche mark and, to a lesser extent, the guilder. And that has repeatedly placed unbearable pressure on cross rates between member currencies.

The dollar's temporary decline during the spring of 1984 saw the traditional intra-EMS strains beginning to appear. But in the 20 months since the last EMS realignment only the Belgian central bank's determined defense of its currency through foreign exchange market intervention and interest-rate rises appears to have convinced market operators that they cannot force a unilateral devaluation.

The austerity policies adopted by

(Continued on Next Page)

John Presland is editor of Euromoney Currency Report.

Era of Financial Supermarket Arrives in the Euromarkets

PARIS — The Euromarkets reward nimbleness. Innovation in creating new instruments or breaking barriers pays; figuring out new ways to bedge and arbitrage gives one a competitive edge.

As a result, there is always pressure on the borders of Euromarket categories. With straight loan margins finely shaded for name borrowers, the way for market operators to make money is to create new instruments, new techniques, new currencies and new businesses — even if it means ruffling a few financial feathers.

Barriers are breaking down between financial markets and stock markets, between foreign-exchange markets and the sedate world of underwriting, between bankers and brokers. A sign of the times is the first underwriting of a *stock isued* by a U.S. bank since the last Glass-Steagall reforms of the 1930s, which separated investment banking and broking from commercial banking and lending. At the beginning of November, Citicorp in London, with a stock brokerage as its partner, became the first U.S. bank to launch a new share in more than 50 years, on the London Unlisted Securities Market (a sign that in Britain at least old barriers have fallen).

While the financial supermarket is a U.S. phenomenon, different categories of financial intermediaries in several Western European markets are getting together. Banks are eager for the fees that investment banking operations yield in a period when loan margins are getting squeezed, and they are taking interests in nonbanks to earn it.

While the financial supermarket is a U.S. phenomenon, even the idea of offering financial services to department-store clients has caught on. An example is the joint venture between British Home Stores and First Bank of Boston. Differentcategories of financial intermediaries in several Western European markets are getting together. Banks are eager for the fees that investment banking operations yield in a period when loan margins are getting squeezed — and they are taking interests in nonbanks to earn it.

Banks want to become guarantors rather than lenders, and they aim to create market instruments to allow borrowers to get the money they need without banks' lending the money and having to add expensively to their own reserves. Eurocommercial paper, for which banks act merely as guarantors; complex swaps between fixed and floating notes; letter of credit and performance bond deals; Euronotes; equity-linked issues — all earn fees. With future rate agreements, banks cover interest-rate risks by hedging among themselves. When banks cannot avoid putting their funds at risk, they borrow techniques from other markets — put and call options, learned from the stock market, to cover interest rate and exchange fluctuations, or futures such as once were confined to hog bellies to hedge and arbitrage risks.

The fastest-growing currency ever created is the European Currency Unit, or ECU, a bybrid money that is particularly attractive for borrowers seeking lower interest or even access to funds in relatively weak currencies. The ECU has moved into new areas, ranging from trade finance to Soviet-bloc credit to businessmen's traveler's checks, in part because of its built-in bedging protection. Because the ECU is linked to a basket of currencies — but not the dollar — both borrower and lender can cut the risk of dealing in a single one, subject to upward or downward revaluation.

Swaps and Eurocommercial paper have already made the old distinction between Eurobonds, Eurocredits and straight bank loans less meaningful. Now new ideas are coming to the fore. Stanley Hurn at Samuel Montagu, a merchant bank controlled by the large Midland clearing bank, has invented a more transferable type of syndicated loan that banks can move between themselves rather than keeping on their books forever. Called a transferable loan instrument, it makes it easier for banks to market Eurocredits so as to bring maturities into balance with the bank's liabilities, and switch currencies around or offload too-concentrated portfolios of debt.

If a real secondary market in transferable loan instruments develops, banks will have succeeded in being guarantors of loans for a fee rather than the actual lenders.

Market acceptance of short-term paper and of issues that are not really issued — merely guaranteed to be provided in some form by banks at some future date — are also blurring the distinction between banking and money broking. Revolving underwriting facilities, issued by groups of borrowers for terms that are shorter than normal syndications, earn higher fees in return for a mere contingency commitment from the banks.

Stimulating banking innovation has been the need to compete with cheaper terms in the bond market, a result of relatively cash-flush industrial companies, cuts in the withholding taxes of several leading national markets, the fact that Eurodollars and domestic U.S. dollars at least are increasingly moving in tandem.

If one is a Eurobanker with no bargains to offer, one has to find a way of placing the funds one has garnered, of attracting borrowers regardless. To confine operations to credits rather than loans or equity-linked issues is to set out on a course of losing market share.

To get new profitable business, why not overcome the barriers between invesiment banking or stockbroking and the business that the headquarters company is confined to by U.S. law? Citicorp, which has taken steps to become a British merchant bank (which does underwriting) as well as a commercial bank, has arranged that, when London Stock Market rules allow, it will own the rival stockbrokerages Vickers da Costa and Scrimgeour Kemp-Gee. Citibank is simultaneously a part of the U.S. financial supermarket trend and the London City "Revolution."

In Britain, merchant banks are moving (usually by taking a shareholding in brokerages and market makers at the maximum level currently allowed, 29.9 percent) closer to stock-market operating institutions such as brokerages and jobbers. The latter, in Britain, are separately owned, independent firms that do market-making but that are rapidly being brought into the orbit of banks, finance houses and brokerages under the 29.9-percent rule. Until recently, the London Stock Exchange operated as a cartel to keep out the merchant banks and keep jobbers and brokers separate under the so-called dual-capacity rules.

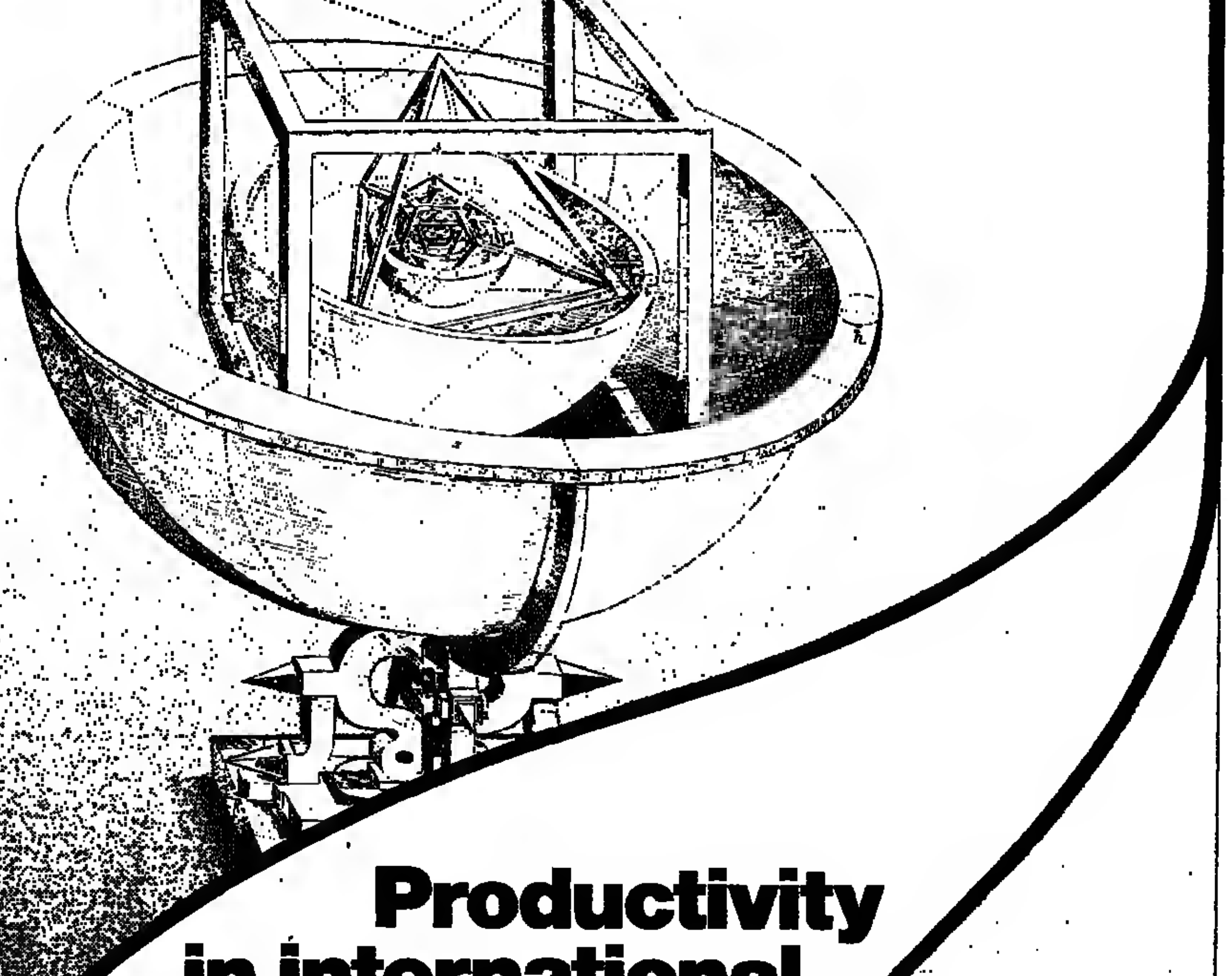
One of the first purchases of a 29.9-percentage stake in a British stockbroker brought Security Pacific Bank of California together with the brokerage Hoare Govett. Dow-Scandia, a venture controlled by the banking arm of Dow Chemical, owns a merchant bank and has bought into the brokerage Savory Milln. Shearson Lehman-American Express, a bank outside the United States, has taken a smaller stake in the brokerage Messel & Co. Other combinations, such as Hongkong and Shanghai Banking Corp. with James Capel, County Bank with Fielding Newson-Smith, Grindlays with Capel Cure-Myers, show that the Americans are not alone. And in addition to stakes in brokerage bouses, foreign and Britisb banks have rushed to buy into other City institutions, sucb as jobbers.

The trend is also observable outside London. Jacob Rothschild's RIT-Charterhouse financial group from Britain has bought out the formerly independent Wall Street brokerage bouse Rothschild, Unterberg, Tobin. The nationalized Paribas bank of France, in exchange for its stake in another brokerage firm, has become the largest shareholder in Merrill, Lynch, Pierce, Fenner and Smith. Insurance companies are getting into industrial investment (as has Allianz of West Germany) or they are taking control of banks.

The course of blurring distinctions by merging institutions is rocky, since the culture of markets and banks, of institutional investors and industry vary so much. Honeymoons do not always last — look at Phibro and Salomon Brothers, a trading house mismatched with an investment bank; look at the departure of Edmond Safra, the risk-averse, self-made banker from the high-flying world of Shearson Lehman-American Express. And some of the high prices being paid for stockbrokers in the City may not bode well for a continued happy partnership in future, according to Laing & Cruikshank, a brokerage bought earlier this year by Mercantile House.

Laing & Cruikshank said: "It is hard to resist the impression that an element of 'fashion' has played a part in the speed and number of acquisitions. An increasing number of people are wondering whether some of these deals will end in tears."

— VIVIAN LEWIS



ECU Demand Rising, but Deutsche Mark Expected to Set Record in Foreign Bonds

By Pearl Marshall

BONN — This has been the year of the European Currency Unit (ECU). It now is struggling in the No. 3 position in the Eurobond market with the No. 2 pound sterling and could in the future be a challenge to the froot-runner Deutsche mark.

The first three-quarters of 1984 saw a tremendous appeote for dollar paper, overwhelmingly the leading international loan currency, but then "all of a sudden there was a growth in appetite for ECUs as an alternative to the dollar," said Olaf Schuth, syndication manager in Dresdner Bank's oew issues and underwriting department. "At the 3 DM level, the dollar had gotten dangerous to say the least," he said.

Commenting on the recent surge of interest in the ECU, Werner Samuel, syndication manager at Commerzbank's corporate finance department, pointed out: "The volume is still limited but those issues that are being offered are being absorbed quite easily. Current yield issues on ECUs are around 10½ percent, compared with the 7¼ yield level in the foreign Deutsche mark sector."

The ECU also offers a certain degree of stability, especially, for instance, for Italian investors. "The only legally allowed escape route from the weak lira is into the ECU," said Commerzbank's Gerold Brandt, joiot director of the corporate finance department.

Despite the demand for the ECU, however, the 1984 volume of new Deutsche mark foreign bonds is expected to reach a record of between 17 billion DM and 18 billion DM, a good hillion more than last year and a substantial increase over 1982's 11.5 billion DM, and 1981's real low of 4.9 billion DM.

The previous peak was in 1977-1978 when the volume was roughly around 15 hillion DM. But at that time the Eurobond market was smaller and the Deutsche mark had a much higher relative share.

Investor appetite for Deutsche-mark denominated bonds is "very big," according to Commerzbank's Mr. Brandt. "In addition, we are still living in a market that is — to a certain degree — behaving like an orderly maintained market," he said. "We don't have the kind of overflooding situation you see in the Eurodollar sector of the Euromarket. The DM-market is a little more regulated because of the planning system by the [West German capital markets] suhcommittee. This avoids the situation we all have seen where issues too thinly priced will suddenly fail to attract investors' interest, which is then detrimental to the borrowers standing in the market and leads to a flop situation."

There has traditionally been a conservative element in the DM market. The typical DM investor likes what bankers call "plain vanilla issues with a five-year bullet maturity, seven years, or even 10 or 12 years." When it comes to more hybrid creations he often prefers to stay on the sidelines.

Some recent warrant-attached issues launched by Commerzbank, however, were very well received. Their success was in no small part due to the fact that borrowers were involved who normally did oot tap the market, borrowers such as Preussag.

"On the warrant side we had fantastic capital gains being realized within a couple of days of launching," Mr. Brandt said. "So the investor had the best of both worlds — a kind of traditional instrument and a very reliable bui rare borrower from a market segment that has been under-represented, plus the fantastic play that was a feature for the speculators of the warrant being traded separately from the issue itself."

The supranationals are the hackbone of the DM accounting for about a quarter of all new-issue volume in public issues and private placement. At the last subcommittee meeting on Nov. 5, there was a total of 111 issues — puhlic and private placement — of which 25 were issues for supranationals. Out of a volume of 15.6 hillion DM, 4.8 hillion was of a supranational borrowers nature.

First choice to lead-manage all supranational DM borrowers, such as the World Bank and the European Investment Bank, is the Deutsche Bank because of its presence and weight in the market.

The Deutsche Bank and five other German banks regularly lead-manage other DM bond issues. These are Dresdner Bank, Commerzbank, Westdeutsche Landesbank, Berliner Handels-und Frankfurter Bank and Bayerischе Vereinshank. These six banks are the members of the subcommittee.

Its among these six banks that the so-called DM foreign bond calendar is arranged. A seventh bank, DG Bank, has DM bond issues on a more irregular basis. In the dollar sector, the three most active German hanks are the Deutsche, Dresdner and Commerzbank — in that order.

Looking toward the end of the year, these banks expect to see an additional 2.1 hillion DM added by Dec. 13 to the current overall volume figure for foreign DM bond issues of 15.6 billioo DM.

This would give a total of 17.7 billion DM, but does not take into account any additional warrant issues and convertible bonds that can be launched at any time. It only allows for the straight issues scheduled within the subcommittee.

"Having talked to a lot of borrowers, we don't believe we will have an enormous volume of convertibles tapping this market," Mr. Brandt said. "We have seen, however, two very prominent European borrowers tapping the warrant market early in November — Philips and the Swiss Bank Corp. — so these kiod of issues can be launched apart from the calendar that is set every four to six weeks."

Dresdoer Bank launched the Philips equity-linked issue to raise 250 million marks through a seven-year offering bearing a 3½-percent coupon.

"It is trading comfortably above issue price," said Dresdner Bank's Mr. Schuth. "Worldwide, the equity markets are in good shape so these issues are a combination of the interest people have in the DM market and, at the same time, the interest they have in Philips equities — a comhination of two positive factors."

So taking into account such launchings, German bankers see a total foreign bond volume of some 18 billion DM to 19 hillion DM for 1984 as a whole. "During the last three calendar periods we have watched volumes topping 2 billion DM," Mr. Brandt said.

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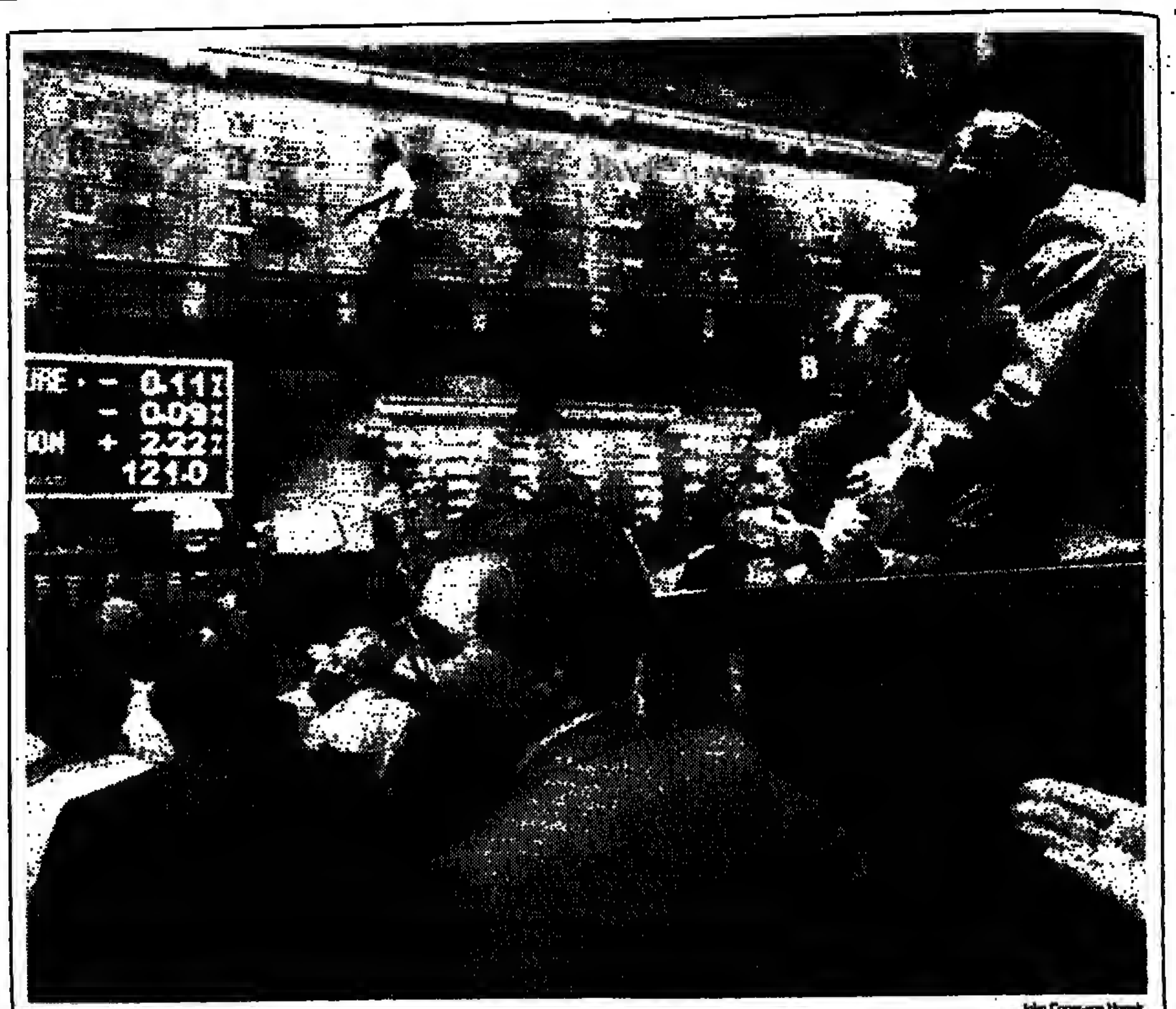


John Copes-van Hasselt

Trading at the Bourse in Paris.

Weight of Deficit, Lower Interest Rate Could Trim Dollar

(Continued From Previous Page)

France's Socialist government in March 1983 have been reflected in sharp improvement of the country's external accounts. The current-account deficit of 1984 should be less than 20 billion French francs, after 37 hillioo francs last year. But the improvement has been bought at considerable cost for the domestic economy: The crimping of domestic demand means ecoоomic growth will be little more than 1 percent this year. And inflation, expected to end the year at 7.3 percent, continues to run well ahead of that in West Germany.

While French export competitiveness vis-à-vis West Germany has slipped by about 4 percent since the last EMS reshuffle, Italian inflation of 9.1 percent in the year to October has meant that Italian exports have suffered still more. That has been reflected in the rise of the January-August trade deficit to 11 trillion lire from the 8.2 trillion lire of a year earlier and has already prompted the Bank of Italy to raise interest rates.

With the exception of the Netherlands, where inflation is running just 1 percentage point above West Germany's and the 1984 current account is officially expected to be in a healthy surplus of 115 billion guilders, a similar story can be told for the other members of the EMS. And the persisting differentials in inflation rates will have to be corrected in due course.

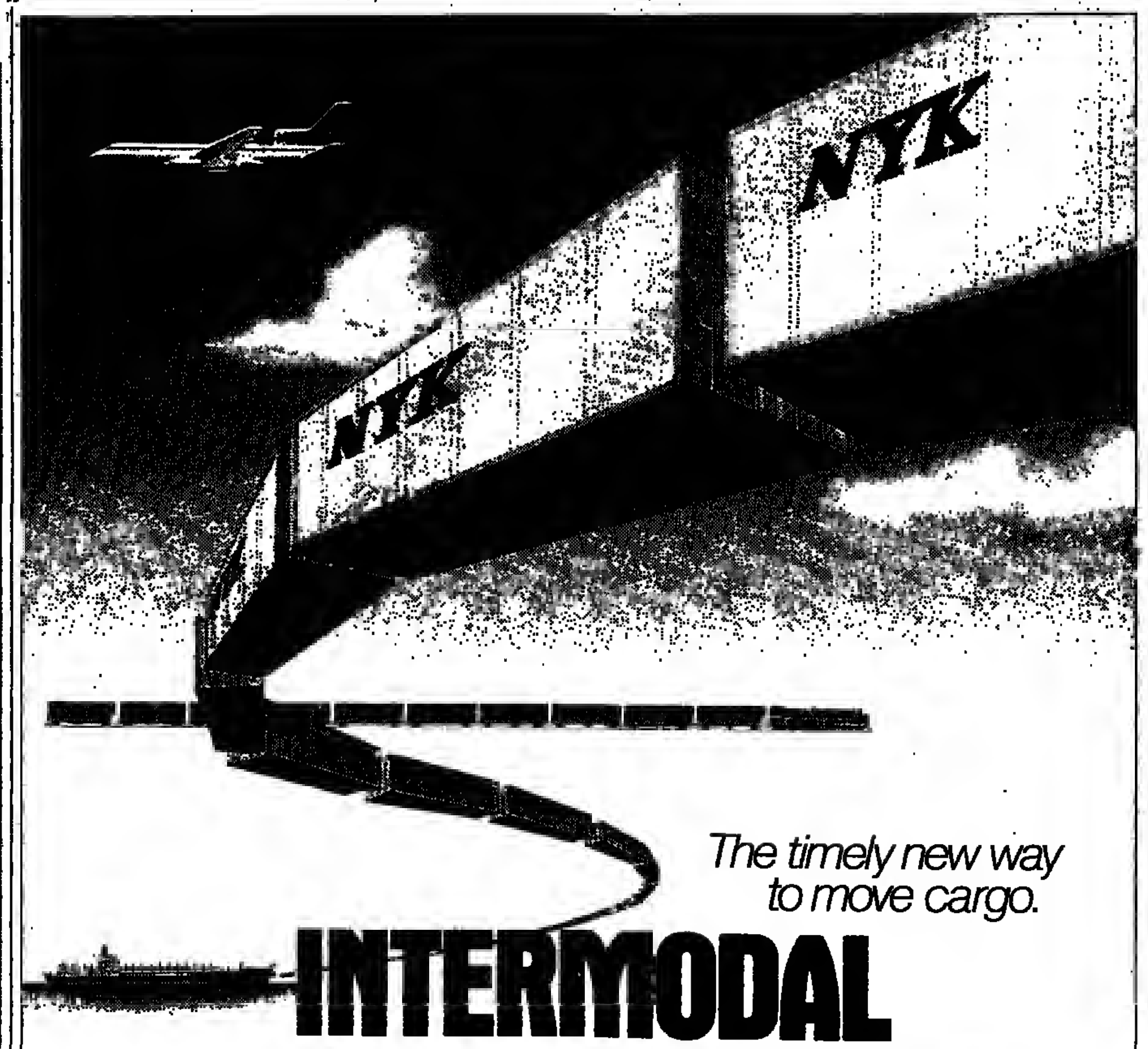
The timing of realignment is a political matter. The system's authorities may decide to surprise markets by changing members' central rates against the European Currency Unit before they come under major pressure. But most probable is that the mark and the guilder appreciation against a weakening dollar will force a realignment early in 1985.

Experience suggests that, in pursuit of the long-term aim of promoting convergence of member countries' economic policies, adjustments made then will be somewhat smaller than existing inflation differentials. The French franc appears likely to be devalued against the Deutsche mark by about 5 percent while the lira moves rather more and the Danish krone, Belgian franc and Irish pound somewhat less. Conscious of the blow to coofideoce in the Netherlands dealt by its 2-percent devaluation against the mark in the last reshuffle, Amsterdam will keep pace with the West German unit's revaluation next time.

Inflation running at 7 percent, well above the government's end 1984 target, and export performance lagging hehind official hopes may hring the Swedish krona under pressure after next October's election. But otherwise, the Scandinavian currencies' basket pegs look secure for the next year. The weight of North American currencies in those baskets will mean that their gains against the dollar will be less than those of the mark.

Switzerland's healthy 6-billion-franc-a-year current-account surplus and inflation running a little above West Germany's, together with the market's confidence in the national bank's firm monetary policy, will keep the Swiss franc secure in 1985. And if the dollar's decline should prove precipitous, the unit's safe-haven status will be enhanced, leading to appreciation that outpaces the mark.

The Canadian dollar should be expected to share most of its neighbor's decline against European currencies. Canada's small current-account surplus contrasts with the U.S. huge deficit, but official concern to promote growth and bring unemployment down from the current 11.4 percent will prompt easing of interest rates if the unit moves much beyond 1.30 to the U.S. dollar. Its long-term prospects will depend to great extent on how much resolve to cut the 7.5-percent-of-GDP budget deficit the new government shows in its spring budget.



EUROBONDS

U.S. Cut in Discount Rate Prompts Rally in Market

By CARL GEWIRTZ
International Herald Tribune

PARIS — The U.S. discount rate was finally cut last week, triggering a powerful rally in the New York bond market and a strong, but less powerful, response in the Eurobond market. The half-point rate cut, to 8½ percent, left analysts disputing whether this was the end of the Federal Reserve's easing of credit policy nr whether it was only a step in a continuing downtrend.

Henry Kaufman, chief economist at Salomon Brothers, sees the possibility of continued declines. "The reduction in the discount rate paves the way for the federal funds rate [or overnight money costs] to move into the 8½-9 percent range, for additional reductions in the prime loan rate and perhaps another cut in the discount rate in January if renewed growth in M-1 fails to materialize soon," he said.

After markets closed Friday, the Fed reported that M-1, the narrowest measure of tbe money supply, dropped $1.3 billion in the week ended Nov. 12. The data is normally reported on Thursday, but was delayed last week because of the Thanksgiving Day holiday.

The most interesting development in the Eurobond market last week was news from Sté. Générale Strauss Turnbull that it will begin making a market in what director Willy Dunn calls "virgin" bonds that are untouched by human hands. These are call-protected securities that can be bought with warrants.

By making a market (qunting bid-offered prices) in these bonds, he hopes to demonstrate that the high prices now quoted on the warrants are still cbeap for what they can buy.

Mr. Dunn is particularly interested in the warrants that were marketed early in the craze for this paper. The distinction is based no whether the initial bond offering to which the warrants were attached is callable.

SOME 32 issues marketed since end-June were sold with the host bond not immediately callable. Since late October, another 19 issues have been sold under conditions that allow the issuer to redeem, at a modest premium, the bost bond as the warrants are exercised and the "virgin" bonds taken.

This becomes a very important distinction as interest rates drop. Mr. Dunn believes they will continue declining. The easy call provisioo on the latest 19 offerings means that the issuers can be assured that they will never have outstanding more than the amount of paper they initially sold. As $1 million worth of warrant-bonds are taken, $1 million worth of host bonds are redeemed.

By contrast, the 32 early issuers now face the possibility of having outstanding, and paying interest on, twice the amount of paper they initially sold — say $100 million of original host bond that is not callable for three-to-five years depending on the terms nf each issue, and $100 million of "virgin" bonds if the warrants are exercised immediately.

These warrants were not expected to be exercised early. Normally, they carried terms that anticipated considerable lowering nf interest rates and stretching of maturity preferences.

Many of these "virgin" bonds are now "in the money," or would trade at premiums justifying the price to be paid to buy the warrant. And Mr. Dunn reasons that the issuers, unable to prematurely redeem their host bond, will be driven to buy back their warrants as the only means to protect themselves against paying interest on twice the amount of money they intended to raise.

The warrants he likes are these:

- Credit Anstalt, expiring July 31, 1988, to buy 14-percent bonds due in 1991. The warrants ended the week at $62-$67.
- Denmark (III), expiring Aug. 4, 1988, to buy 13⅞-percent bonds due 1991, priced at $56-$61.
- Exportfinans, expiring Sept. 15, 1987, to buy 13¼-percent 1989 bonds, priced at $42-$46.
- General Electric, expiring Aug. 7, 1987, to buy 12⅜-percent bonds callable in 1989, priced at $42-$46.
- IBM, expiring Aug. 9, 1985, to buy 13-percent ootes due 1987, priced at $46-$53.
- Texaco, expiring Sept. 1, 1987, to buy 12⅜-percent bonds

(Continued on Page 19, Col. 1)

Eurobond Yields
For Week Ended Nov. 21

U.S.$ lg term, Int'l inst.	11.99 %
U.S.$ long term, ind.	12.39 %
U.S.$ medium term, ind.	12.43 %
Con.$ medium term	12.66 %
French Fr. medium term	11.10 %
Yen lg term, Int'l inst.	7.28 %
ECU short term	9.86 %
ECU medium term	10.36 %
ECU long term	10.46 %
EUA long term	9.19 %
FLx lg term, int'l inst.	10.32 %
FLx medium term	10.21 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover
For Week Ended Nov. 23
(Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	11,306.50	9,452.00	1,854.50
Euroclear	26,330.70	24,254.60	2,076.10

Europe Fuels U.S. N-Plants

Eurodif, Urenco Start Sales Push

By Paul Lewis
New York Times Service

PARIS — Europe's two manufacturers of enriched uranium reactor fuel are opening an aggressive sales drive in the United States, where a change in Department of Energy regulaðons has allowed U.S. utilities to order fuel from abroad for the first time.

The two companies, Eurodif and Urenco, are already obtaining lucrative U.S. supply contracts at the expense of the Energy Department, which until now enjoyed a virtual monopoly in the United States.

In the last few weeks, three New England ntility companies, Yankee Vermont, Yankee Maine and Yankee Rowe, agreed to buy fuel over the next 10 years from Eurodif, a consortium owned by France, Italy, Spain, Belgium and Iran.

Negotiaðons for similar contracts are under way with Florida Power and Light Co. and Northeast Utilities, among others, according to French officials.

Meanwhile, Europe's nther enrichment company, the smaller Urenco, which is jointly owned by British, Dutch and West German interests, has just signed a supply contract with Boston Edison Co., its first in the United States.

In Washington, Philip D. Keif, the Energy Department's deputy press secretary, said the department was investigating whether the European enrichers are "dumping" fuel on the U.S. market at prices that do not fairly reflect production costs.

Both Eurodif and Urenco deny they are dumping. Eurodif officials say they are using more modern and efficient plants than the Ener-

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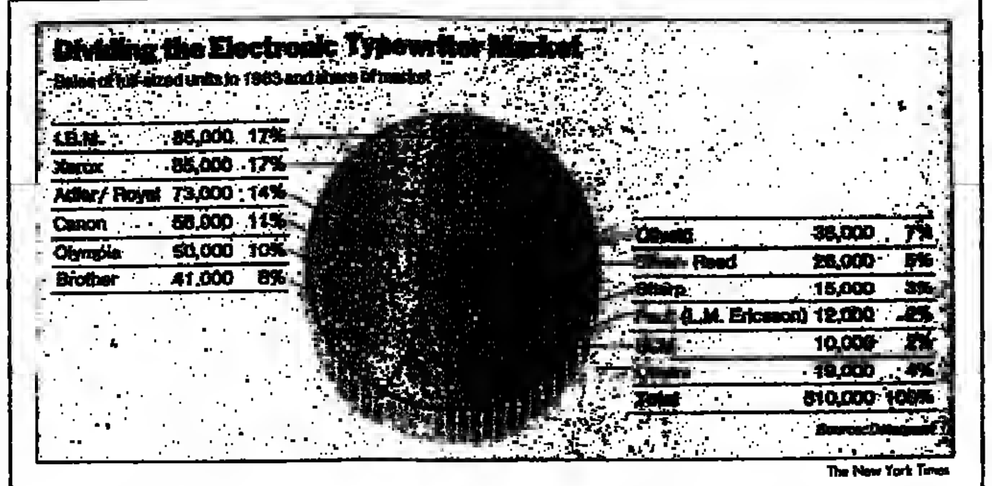


The New York Times

Typewriters Entering a New Era

New York Times Service

NEW YORK — International Business Machines Corp., which used to dominate the market for office typewriters with its Selectric line, has found itself losing ground since the arrival of electronic models.

Electronic typewriters equipped with circuit boards of semiconductor chips, eliminate much of the machinery that drives manual and electric typewriters and provide advanced features such as memory capacity. Because electronic devices have fewer moving parts, they are considered more reliable than their electric counterparts.

Electronic typewriters were introduced in the United States in 1978. From that point, sales of electric models declined rapidly. At their peak six years ago, 10 million electric machines were in U.S. offices, according to Dataquest Inc., a San Jose, California, research concern. By the end of this year, that number is expected to be seven million, with IBM accounting for 70 percent of that.

In the electronic sector, IBM's market share is tumbling. In 1978 the company accounted for 94 percent of electronic typewriter sales, but by 1982 its share had fallen to 25 percent. Analysts estimate that IBM now holds 17 percent, sharing first place with Xerox Corp.

"But it's not merely a two-way race," said an IBM spokesman. "The challenge is not that narrow. A lot of people are getting into the business."

H. Edward White, associate director of Dataquest's office-automation service, estimates that 26 companies, most of them based in Europe or Japan, are fighting for a place in the U.S. electronic typewriter industry. In order of market share, they are Adler Royal Business Machines, a division of Triumph-Adler AG of West Germany, Canon USA, Olympia USA, Brother International and Ing. C. Olivetti. In 1980 there were only four.

IBM and Xerox, Mr. White projected, are each selling between 115,000 and 200,000 of them this year; European companies 250,000, representing 38 percent of the market, and Japanese companies just over 200,000, for 26 percent.

Last year, approximately 540,000 electric typewriters were shipped in the United States, but Dataquest estimates that only 400,000, worth about $600 million, will be shipped this year and that by 1987 U.S. imports will be below 100,000.

"There are still some residual replacement sales out there, but it'll all be over for the electric typewriter in two years," said William Lobrano, vice president, marketing, at Olympia USA.

IBM is expected to pull ahead in electronic typewriter sales next year, analysts said, largely because of its Selectric System 2000, introduced in October. Mr. White said shipments are likely to grow 50 percent in 1985. Xerox's sales are expected to increase 30 percent.

Industry analysts say that by the end of the 1980s, the electronic machine will have converged with other office equipment. It will be hard to tell a typewriter from a word processor, which allows the user to write and revise documents and make multiple printouts. And it will be hard to tell a word processor from a personal computer, which can function as a word processor, calculator or game machine, depending on software.

Mr. White predicted that electronic sales would peak in 1987. From that point, he said, offices will turn to bybrid, multifunction devices — what he described as "secretary's computers." Such companies as Olympia and Canoo are already beginning to produce such machines.

Nevertheless, according to Ann Laynor of Arthur D. Little Inc., a research concern in Cambridge, Massachusetts, the basic typewriter will maintain a niche in the business world because not all offices need more sophisticated devices.

U.S. Uses Funds For Foreign Aid To Help Exports

By Nicholas D. Kristof
New York Times Service

NEW YORK — In what officials describe as an attempt tn counter countries that unabashedly subsidize their exports, the United States is using funds intended for foreign aid to reduce the price of U.S. exports.

About a month ago, the United States allocated $4.2 million, which was to have helped Botswana buy commodities, to reduce the interest rate that Botswana will pay on a loan if it buys locomotives from General Electric Co. or General Mntors Corp. If Botswana signs the contract for the locomotives, it will get the $4.2 million, which it can apply to the financing costs.

This is the first mixed credit — so called because foreign aid is mixed intn a loan — that the United States has offered, aside from an experimental program confined by legislation to Egypt.

The transacðon, and the prospect that others are forthcoming, is expected to be a significant factor in multilateral negotiations on mixed credits that will begin next month in Paris.

The use of development, or bumanitarian, aid to promote exports is as controversial as it is complex. "Taking money out of the mouths of babes" is what William H. Draper 3d, president and chairman of the Export-Import Bank, calls it when other countries do it. But he says the United States is different, because it only matches other bids and is trying to restrict such credits by international agreement.

In addition to the mixed credit, the United States this year has offered half a dozen concessionary loans to help U.S. exporters compete with mixed credits offered by other countries.

Although the effect is similar, a mixed credit taps aid funds from the Agency for International Development, while a concessionary loan uses the funds only of the Export-Import Bank. This agency, which is not tax-supported, offers loans and guarantees to help U.S. exporters.

The Export-Import Bank announced one such concessionary loan earlier this month. It would help TIW Systems Inc. of Sunnyvale, California, compete with a French company in bidding to supply a satellite communications station for Cyprus. The French company has offered financing backed by a mixed credit from the French government.

"There is nn question that the French use of foreign aid funds to subsidize a commercial export in the highly competitive telecommunications sector is a gross distortion of both trade and aid," Mr. Draper said in announcing the concessionary loan for TIW Systems.

Mr. Draper and other administration officials stress that the United States only uses such devices to match the competition. In the case of Botswana, for example, Canada had offered aid money to sweeten the bid of its exporter of locomotives.

Development aid is often spent on equipment such as tractors or rolling stock, and it is not uncommon for the donor country to tie the aid to purchases of equipment made by its industry.

Mr. Draper said that the United States remained opposed to mixed credits, however, because they divert scarce development aid and use it for the commercial purpose of stimulating exports. Moreover, he added, the mixed credits distort trade by encouraging countries to purchase goods they would not choose without the assistance.

"Mixed credits take a lot of mon-

(Continued on Page 19, Col. 1)

In Sweden, New Economic Values Show Up in Political Polls

By Barnaby J. Feder
New York Times Service

STOCKHOLM — Sweden's official unemployment rate is under 3.5 percent, and both the industrial and service sectors of the economy are thriving. Why, then, is Olof Palme's ruling Social Democratic Party trailing its non-socialist opposition in public opinion polls as Sweden begins to look toward next September's national elections?

"The economy is going the Social Democrats' way, but not the undercurrents," said Carl Bildt, a leading voice in the Moderate Party, the conservative party that has overtaken the more centrist Liberal and Center parties to become the dominant opposition party. "Everything is going our way in terms of values, priorities and demands by the electorate."

As the Moderates see it, Swedes like the benefits of the welfare state, but they have reached the limit on how much they will pay for it and how much individual freedom they will sacrifice to make it work smoothly.

Taxes in Sweden are the highest in the industrial world, and to keep the Social Democratic program going, they must go higher. Prime Minister Palme in October announced a new "crisis" program to raise taxes in December on alcohol, tobacco and electricity, and Jan. 1 on charter airline tickets.

The biggest conflict, however, began over a year ago when the government instituted new payroll and profits taxes in order to build eight new regional investment funds that are under the control of Sweden's powerful labor unions. Sweden's business community, which is normally quiet, took to the streets to lead some of the largest demonstrations in Sweden's history.

They argued that the Wage Earners Funds violated the longtime understanding that industry would be left in private hands to generate the wealth to run the welfare state. The plan could transfer 10 percent of Swedish shares to the funds by 1990.

Social Democrats argue that the funds are needed to win union support for holding wages down during a period of high profitability, a key element in the government's drive to control inflation and make Swedish industry competitive internationally.

But the Social Democrats are clearly concerned about the question of economic freedom that their opponents relate to the funds. They are most worried about the appeal of the non-socialists' call for cuts in spending and taxation that will give the average Swede more disposable income and more freedom to choose between public and private services in fields such as health and education.

"The new thing in Swedish politics is the confidence of the right wing," said Kjell-Olof Feldt, Sweden's finance minister. "Thanks to the business community, they have enormous economic resources and now they have the conviction to attract people."

Some Swedes believe next year's election could be a turning point for the country.

The non-socialist coalition that won in 1976 came to power after 41 years of Social Democratic rule. It was inexperienced, dominated by the Center and Liberal parties, deeply split over issues such as nuclear power, and battered by the economic impact of the 1979 oil-price increases.

Many Swedes, including business executives who preferred the Moderates' platform, longed for the familiar, generally pragmatic and well-organized Social Democrats.

But since the return of the Social Democrats in September 1982, the Moderate Party, under its new, 43-year-old leader, Ulf Adelsohn, has climbed steadily in the polls, mostly at the expense of its less conservative allies.

"If the non-socialists win, this time they will dare to do things they didn't try the first time," said Stefan Kellerborg, spokesman for the Landsorganisation, the confederation of blue collar unions. Politicians have their doubts.

"They wouldn't be any more united this time than last," said Pierre Schori, the Social Democrats' undersecretary of state.

Indeed, the pledge to dismantle the funds is the most visible platform plank that the major opposition parties have in common. There is no sign that the Center Party or the Liberals are interested in sweeping sales of government enterprises, tax cuts and spending cutbacks on the scale favored by the Moderates.

Early this month, the Social Democrats drove a huge wedge into the non-socialist group by outlining a program to reduce surplus agricultural production, a goal that the Moderate Party and Liberals back but which the farmer-dominated Center Party could never accept.

Olof Palme

The growing confidence of the conservatives in their message of free enterprise and personal freedom comes at a time when morale among Social Democrats is low. Mr. Palme has backed Mr. Feldt in a variety of financial changes and public-spending limitations that have been hard for the party faithful to swallow. Public spending is set to fall as a percentage of national output this year for the first time since World War II and is budgeted to do so again next year.

"We don't think we can go on as before," said Mr. Feldt. "We are reducing the standard of living."

Sweden's labor unions have accepted cuts in real wages over the past two years while business, led by exporters such as Volvo and Saab-Scania, specialty steel producers and the forestry industry, have boomed. Aided by the world economic recovery, the rise of the dollar and the 1982 devaluation of the Swedish krona, Sweden's trade account has moved into balance and industrial productioo has climbed above the record levels of the early 1970s.

But there are persistent problems that make the recovery look flimsy. Inflation is now expected to be 7 percent this year, instead of the 4 percent established as a goal by the government. Sweden is also deeply in debt, and economic growth is expected to slow next year.

In addition, unemployment is rising despite huge government outlays on public works programs and training projects to absorb young workers coming onto the market and those laid off when uncompetitive companies closed.

The Social Democrats, whose program to maintain high employment while renovating the Swedish economy has been described by Mr. Feldt as "a tightrope over an abyss," may be running out of time.

Uniou leaders want them reelected but their members are restless. Stig Malm, leader of the Landsorganisation, has said that unions will accept wage settlements within the government's target of a 5-percent increase next year, with the important condition that negotiations be reopened if the government fails to meet its 3-percent inflation target — in other words, no more real wage cuts.

GATT Meets Amid Worry Over Future

Reuters

GENEVA — The General Agreement on Tariffs and Trade opens an annual meeting of its 90 members Monday amid despondency over its failure to stop protectionism.

Delegates regard the outcome of the meeting, which is expected to last twn or three days, as important for the future of GATT and of the global trading system.

Trade disputes among the United States, the European Community and Japan and among developed and developing countries have kept GATT from even approaching other key problems.

Nor has GATT been able to fulfill commitments made at its 1982 ministerial conference. At that meeting, countries pledged to resist protectionist pressures and ensure that their trade policies were consistent with GATT principles.

The United States, supported by Japan, West Germany and others, is expected to reiterate calls for a new round of global trade negotiations. The United States is likely to suggest a special GATT conference in mid-1985 to discuss the issue, delegates said.

Developing countries have said that a new round would be useless without more progress on current programs. They are frustrated by the failure of industrialized countries to liberalize trade and open their doors to Third World products, particularly textiles.

The United States would like new global negotiations in such areas as counterfeit goods, services and high technology. Developing countries oppose any formal discussion of them and even EC countries are ambivalent on the question of services.

Third World countries want protection for their own embryo service industries and are unwilling to give in this area without a trade-off.

GATT members had been taking part in an intensive round of private discussion during the weekend in an attempt to reach an agreement on a broad package of trade measures.

U.S. offcials have indicated that if no broad package is agreed upon, it will be difficult for the Reagan administration to get support from Congress for future multilateral trade negotiations.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States

	Last Wk.	Prev. Wk.	% Ch'ge
DJ Indus.	1,220.30	1,187.94	+2.7
DJ Util.	145.72	143.77	+1.4
DJ Trans.	532.99	516.22	+3.2
S & P 100	165.35	161.45	+2.4
S & P 500	166.92	164.10	+1.7
NYSE Cp.	96.10	94.70	+1.5

Data from Prudential/Bache Securities.

Britain

FTSE 100	1,158.60	1,173.50	−1.27
FT 30	910.30	920.40	−1.09

Hong Kong

Hang Seng	1,096.04	1,071.79	+2.26

Japan

Nikkei DJ	11,207.70	11,271.45	−0.56

West Germany

Commerzbk	1,085.60	1,078.20	+0.69

Non-U.S. indexes from James Capel & Co. London.

Money Rates

United States	Last Wk.	Prev. Wk.
Discount rate	8½	9
Federal funds rate	8⅝	9⅜
Prime rate	11¾	11¾
Japan		
Discount	5	5
Call money	6⅜	6⅜
60-day interbank	6¼	6¼
West Germany		
Lombard	5.50	5.50
Overnight	5.45	5.45
1-month interbank	5.50	5.50
Britain		
Bank base rate	9½	10
Call money	9⅜	10⅛
3-month interbank	9⅝	9⅝

Dollar	Last Wk.	Prev. Wk.	% Ch'ge
Bk Engl Index	140.8	139.0	+1.29
Gold			
London p.m. fix. $	341.50	345.00	−1.01

Rates & and gold data from Citibank.

Currency Rates

Late interbank rates on Nov. 23, excluding fees.

Official fixings for Amsterdam, Brussels, Milan, Paris. New York rates at 4 P.M. EDT.

	$	£	D.M.	F.F.	H.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	3.404	4.16	112.78 *	36.79 *	0.1818	—	5.60 *	136.36 *	139.38 y
Brussels(a)	60.825	74.325	20.147	6.5725	3.2455 *	17.86	—	24.357	24.89 *
Frankfurt	3.014	3.689	—	32.605 *	1.612 x	88.675 *	4.961 *	120.93 *	1.225 *
London (b)	1.218	—	3.6983	11.319	2,289.43	4.1615	74.345	3.0505	298.96
Milan	1,874.00	2,290.40	621.15	202.27	—	550.22	30.805	749.59	7.654
New York(c)	—	1.214	3.039	9.302	1,879.70 *	3.421	60.061	2.503	245.70
Paris	9.248	11.318	306.50 *	—	4.9415 x	271.82 *	15.2165 *	370.60 *	3.7835 *
Tokyo	Closed								
Zurich	2.5015	3.0525	82.68 *	26.985 *	0.1335	73.345 *	4.1078 *	—	1.0212 *
1 ECU	0.7388	0.6038	2.23	6.8374	1,383.36	2.5184	44.9177	1.8441	180.785
1 SDR	0.998826	0.8163	3.01046	9.23714	1,871.90	3.40	60.7161	2.4893	N.Q.

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.856	Australian $	1.1682	1.03	Irish £	0.9709	0.4625	Singapore $	2.162
0.047	Austrian schilling	21.26	0.0018	Israeli shekel	558.95	0.5565	S. African rand	1.797
0.0164	Belgian fin. franc	61.00	3.3156	Kuwaiti dinar	0.3016	0.0012	S. Korean won	820.60
0.7586	Canadian $	1.3182	0.4154	Malay. ringgit	2.4075	0.0059	Span. peseta	169.80
0.0917	Danish krone	10.9075	0.1138	Norw. krone	8.787	0.1155	Swed. krona	8.655
0.1585	Finnish mark	6.3105	0.05	Phil. peso	20.015	0.0253	Taiwan $	39.49
0.008	Greek drachma	124.25	0.0062	Port. escudo	161.319	0.0371	Thai baht	26.945
0.1278	Hong Kong $	7.8275	0.2808	Saudi riyal	3.561	0.2723	U.A.E. dirham	3.6729

£ Sterling: 1.189 Irish £

(a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000

N.Q.: not quoted; N.A.: not available.

Markets Closed

Commodity markets in Japan were closed Saturday for a holiday.

China Said to Plan Technical Imports Of $14.2 Billion

Reuters

BEIJING — A Chinese vice-minister has said that China plans to spend $14.2 billion in hard currency to buy foreign technology in the next three years, the China Daily newspaper has reported.

The paper said a vice-minister of the State Economic Commission, whom it did not name, made the statement at a recent conference on technical advancement.

According to the report Saturday, the official said the equivalent of about $5 billion in domestic currency has been earmarked to prepare for installation of the imported machinery.

China accumulated $16.5 billion in reserves by the end of June. This compares with $2 billion at the end of 1980 when reserves had been depleted by large-scale plant imports in 1978 and 1979, the paper said.

Current reserves alone are enough to sustain Chinese imports, at the current rate of about $2 billion a month, for eight or nine months, the vice minister reportedly said. The reserves are replenished out of $20 billion a year in export earnings, according to the report.

S&L Reaching for the Moon

Texas Institution Applies to Open Lunar Branch

New York Times Service

AUSTIN, Texas — Please don't make any jokes with Lamar Savings Association officials about sky-high interest rates, far-out financing plans or pie-in-the-sky development schemes.

They will reply that the Austin-based institution is perfectly serious about its application to place a branch office on the moon.

While the project may bring to mind images of Buck Rogers or "2001," Lamar's motive would have been understood by the ancient Venetian traders. Lamar expects the facility to make money.

The Texas Savings and Loan commissioner, L.L. Bowman 3d, admits that when Lamar applied to his department late last month his initial reaction was that it was a joke or a publicity stunt. But after reviewing the material submitted with the request, Mr. Bowman says, be became convinced "they should have a money-maker."

"Stanley Adams is nobody's fool," Mr. Bowman says of the chairman of the association, which has $1.4 billion in assets.

The commissioner has asked the state attorney general, Jim Mattox, to rule on whether he has authority to grant the application.

In making its request for a lunar branch office, Lamar cites a June 24, 1984, article in The New York Times in which analysts predicted that by 1996 goods made in space would be an $8-billion industry.

"Lamar Savings is simply planning for the future and its future customers," Mr. Adams said in announcing the application. He noted that the association's motto was "the future belongs to the pioneer."

Art Dula, of Dula, Shields & Egbert, a Houston law firm, has prepared a memorandum for the savings association on the question of Mr. Bowman's authority to grant the application.

"In the absence of pre-emptive federal statute or regulation, the commissioner may approve establishment and maintenance of a Lamar Savings branch office on the moon," Mr. Dula concludes.

He notes, however, that U.S. treaty obligations "suggest that Lamar seek concurrence of the federal government and the commissioner's approval before beginning commercial operations on the moon."

Whether or not the request is granted, "Somebody's going to do it," Mr. Bowman said. "If it makes money, they're all going to do it."

Indonesia's Oil Minister Sees Weak Demand, Prices in '85

Agence France-Presse

JAKARTA — World oil prices are likely to be weak oext year but will pick up from 1988 to 1990, according to Energy Minister Subroto of Indonesia.

He said Saturday that the Organization of Petroleum Exporting Countries was wrong in forecasting that spot prices would rise to near the official benchmark price of $29 a barrel in two or three months.

The weather in importing countries had been mild so far, and there was "no strengthening" of demand for oil in sight, be said.

Mr. Subroto spoke after a meeting with President Suharto.

Difficulties to be faced in 1985 included weak demand by industrialized nations and slow world economic recovery, Mr. Subroto said.

But, he said he thought that from 1988-90 world demand would outstrip supply, and oil prices would rise.

■ **Yamani Issues Warning**

Saudi Arabia's oil minister, Sheikh Ahmed Zaki Yamani, has warned that there could be "a real interruption" in oil supplies to the West before the end of the year, according to the Sunday Times in a dispatch carried by The Associated Press from London.

The newspaper quoted Sheikh Yamani as saying in an interview in Riyadh that next month's demand for oil from OPEC will far outstrip supplies, leading to shortages.

He predicted that oext month's world demand for OPEC oil could top 20 million barrels a day — 4 million barrels above the production ceiling agreed on last month — and would firm prices, the newspaper said.

International Bond Prices - Week of Nov. 22

Provided by **White Weld Securities, London, Tel.: 623-1277**; a Division of Financière Crédit Suisse-First Boston

Prices may vary according to market conditions and other factors.

(Continued from Page 8)

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
$150	Walt Disney Productio	12¼	'91 Oct	101¾	11.92		12.35
$75	Walt Disney Productio	12½	'88 May	101½	11.59		12.32
$15	Ward Foods O/s Capita	5¾	'88 Nov	62½	20.58	22.42	9.20
$100	Warner-Lambert Intl	10¼	'90 Feb	95¼	11.49		10.76
$100	Wells Fargo Co	13¾	'86 Sep	102¼	12.84		13.08
$100	Wells Fargo Co	12¾	'91 Dec	97	13.29		13.02
$75	Wells Fargo Intl Fina	15	'87 Sep	101	13.40		14.85
$75	Wells Fargo Intl Fina	15	'87 May	102¼	13.69		14.67
$50	Weyerhaeuser Capital	10½	'90 May	92	12.56		11.41
$60	Weyerhaeuser Capital	11½	'90 Nov	95½	12.61		12.04
$150	Weyerhaeuser Co	17½	'87 Oct	108½	12.01		13.19
$100	Xerox Finance	14	'87 Aug	102¾	12.67		13.63

DM STRAIGHT BONDS

AUSTRALIA

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Australia	7	'87 Feb	100½	6.73	6.56	6.97
dm 200	Australia	8¼	'87 Oct	102½	7.24		8.05
dm 250	Australia	6	'88 Sep	99	6.30		6.06
dm 250	Australia	5¾	'88 Nov	97¾	6.29	6.51	5.88
dm 250	Australia	8½	'90 Mar	104	7.17		7.51
dm 200	Australia	9¾	'91 Feb	110½	7.21		8.48
dm 300	Australia	9¾	'91 Dec	111	7.32		8.45
dm 300	Australia	7¼	'95 Nov	104¼	8.95		7.40
dm 200	Australia	6¾	'93 Jan	98¾	7.08		6.96
dm 400	Australia	7¼	'96 Nov	99	7.38		7.33
dm 50	Australian Ind Dev Co	6¾	'87 Nov	100	6.75	6.74	6.75
dm 50	Comalco Invest Europe	7¼	'86 Jun	100½	7.34	7.24	7.71
dm 100	Hamersley Iron Fin	6¾	'87 Jul	99¾	6.83	6.88	6.77
dm 100	Mount Isa Finance	7½	'90 May	100½	7.49		7.59
dm 100	Mount Isa Finance	7¼	'92 Apr	102¾	7.29		7.84
dm 50	Papua New Guinea	6¾	'88 Jul	100¼	6.65	6.61	6.73
dm 100	Queensland Alumina	8½	'85 Nov	101	7.35	7.34	8.42
dm 30	Rural Industries Bank	6½	'87 Aug	99	6.90	7.11	6.57

AUSTRIA

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 150	Austria	6¼	'85 Apr	100¼	5.90	5.98	6.73
dm 130	Austria	7¾	'86 May	100¼	7.51	7.48	7.75
dm 100	Austria	8½	'87 May	102	7.54	7.87	6.32
dm 150	Austrian Central Bank	7½	'91 Feb	101¾	7.26		7.49
dm 150	Austrian Central Bank	10¼	'91 Nov	106½	8.45		9.33
dm 150	Austrian Central Bank	9¼	'92 Apr	106¼	8.08		8.71
dm 150	Austrian Central Bank	8¼	'91 Jul	108	7.53		7.93
dm 55	Austrian Electricity	7	'87 Feb	100¼	6.85	6.74	6.98
dm 80	Donaukraftwerke Ag	6¾	'88 May	99½	6.91	7.03	6.70
dm 100	Donaukraftwerke Ag	5	'86 Jul	100	7.40		7.49
dm 100	Draukraftwerke Ag	8¼	'85 May	100	8.48	8.47	8.75
dm 100	Genossen Zentralbank	6	'87 Dec	97½	6.94	7.77	6.15
dm 60	Giroz Bank Sparkassen	5¾	'87 Jun	102½	7.71		8.66
dm 80	Giroz Bank Sparkassen	10¾	'93 Jul	113¾	7.87		9.45
dm 50	Kelag Kaerntner Elekt	6¾	'88 May	99¼	6.98	7.17	6.48
dm 60	Pyhrn Autobahn	2¼	'89 Sep	97¼	6.94	7.35	6.43
dm 70	Tauernautobahn Ag	5½	'93 Apr	92½	6.69	7.40	5.95
dm 50	Tauernautobahn Ag	9¼	'94 May	117½	7.77		8.70
dm 100	Vienna City	9¼	'92 Aug	106½	8.19	8.08	8.80
dm 100	Voest-Alpine	8½	'88 Jun	101¼	5.90	5.87	8.45

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Voest-Alpine	8½	'88 Oct	103¼	7.49	7.02	8.23
dm 100	Voest-Alpine	6¾	'89 Jun	99	7.00	7.17	6.82

BELGIUM

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Belgelectric Finance	10½	'89 Jun	109¼	7.96		9.61
dm 100	Belgelectric Finance	11	'86 Oct	101½	8.15		9.61

CANADA

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 200	Canada	8½	'88 Apr	106½	6.74		7.98
dm 100	Air Canada	9	'93 Aug	108	7.59		8.33
dm 100	Air Canada	7¾	'93 Jun	101½	7.32		7.27
dm 100	Amca Intl	5¼	'91 Dec	101¼	7.91		8.11
dm 101	Brascan Intl	8½	'87 Oct	102¼	7.79	7.45	8.31
dm 100	Canadian Imperial Bk	7	'88 May	100¼	6.90		6.98
dm 100	Export Develop Corp	6¾	'90 Oct	98¼	7.14		6.88
dm 100	Manitoba Hydro-Electr	6¾	'87 Jun	100¼	6.67	6.56	6.73
dm 200	Manitoba Province	7¾	'93 May	102½	6.96		7.20
dm 200	Manitoba Province	7¾	'94 Oct	101½	7.40		7.51
dm 100	Montreal City	8½	'86 Jul	101¼	7.26	7.20	8.35
dm 150	Montreal City	7	'87 Jul	101	6.56	6.52	6.93
dm 100	Montreal City	7	'88 Apr	100	6.99	6.87	7.00
dm 100	Montreal City	6	'92 Sep	96¾	6.56	6.89	6.20
dm 100	Montreal City	6¾	'93 Jun	99	6.90	6.99	6.82
dm 80	New Brunswick Provinc	6¾	'87 Nov	101	6.75	6.74	6.75
dm 80	Newfoundland Province	8	'86 Aug	102	6.68	6.17	7.84
dm 100	Newfoundland Province	6¾	'87 Nov	102¼	5.89	5.49	6.60
dm 100	Newfoundland Province	6½	'86 Apr	100	6.48	6.49	6.50
dm 100	Nova Scotia Power	7	'87 Dec	100	7.00	6.97	7.00
dm 100	Nova Scotia Province	7¾	'86 Dec	101¾	6.79	5.93	7.40
dm 100	Ontario Hydro-Electr	7½	'86 Dec	102	6.41	5.63	7.35
dm 100	Ontario Hydro-Electr	6½	'87 Jun	101	6.06	5.76	6.44
dm 100	Ontario Hydro-Electr	6½	'88 Mar	100	6.49	6.48	6.50
dm 100	Ontario Province	6	'87 Sep	99	6.31	6.50	6.06
dm 100	Quebec Hydro	7½	'89 May	103½	6.55		7.25
dm 150	Quebec Hydro	10¼	'93 Dec	112¾	7.52		9.09
dm 200	Quebec Hydro	8	'93 Feb	104½	7.25		7.66
dm 100	Quebec Hydro	7¾	'94 May	103¼	7.25		7.51
dm 100	Quebec Hydro-Electric	8	'86 Sep	101½	7.04	6.49	7.88
dm 100	Quebec Hydro-Electric	6½	'87 Apr	100	6.46	6.46	6.50
dm 200	Quebec Hydro-Electric	6½	'87 Aug	100	6.48		6.50
dm 150	Quebec Hydro-Electric	6½	'87 Dec	98¾	6.73		6.33
dm 150	Quebec Hydro-Electric	6½	'86 May	100	6.49	6.48	6.50
dm 150	Quebec Province	7½	'87 Feb	102¼	6.35		7.33
dm 150	Quebec Province	7¾	'87 Jun	101¼	6.67		7.N
dm 100	Quebec Province	4½	'87 Jul	99¾	6.59	6.44	6.52
dm 150	Quebec Province	6	'90 May	96¾	6.72	7.26	6.20

DENMARK

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Denmark	7¼	'85 May	102	7.00		
dm 100	Denmark	6½	'89 Feb	97¼	7.27		
dm 100	Denmark	9¼	'87 Mar	103	8.37	7.82	
dm 150	Denmark	7¾	'89 Apr	102	7.08		
dm 150	Denmark	7¼	'89 Nov	100	7.27		
dm 100	Denmark	9½	'98 May	104½	8.36		
dm 100	Denmark	8¼	'92 Feb	102¾	7.82		
dm 100	Denmark	10¼	'92 Mar	110½	8.14		
dm 100	Denmark	8	'93 May	103	7.50		
dm 150	Denmark	7¾	'94 Apr	100½	7.79		
dm 150	Denmark	7¾	'94 Nov	100	7.75		
dm 75	Copenhagen City	5¾	'86 Dec	100	5.60	5.60	
dm 100	Copenhagen City	7¾	'88 Apr	100½	7.38	7.15	
dm 75	Copenhagen City	7½	'86 Dec	101	6.95	6.55	
dkr 225	Copenhagen City	6¾	'87 Sep	97¾	7.16	7.84	
dm 75	Copenhagen City	6	'90 Nov	95½	6.95	7.44	
dm 100	Copenhagen City	9½	'94 Jan	104¾	7.75	7.84	
dm 40	Copenhagen Telephone	7¾	'87 Jan	102¾	6.32	5.57	7.25
dm 75	Copenhagen Telephone	7	'87 May	100	6.97	6.96	7.00
dm 40	Copenhagen Telephone	6½	'88 Apr	98	7.17	7.60	6.63
dm 100	Copenhagen Telephone	8¾	'93 Jul	105¾	7.08		8.37
dm 70	Den Danske Bank	8¼	'86 Nov	101	7.47	7.49	8.37
dm 40	Jutland Telephone	6¾	'87 May	100	6.73	6.71	6.75
dm 20	Jutland Telephone	7¼	'88 Feb	99¾	7.33	7.35	7.27
dm 50	Jutland Telephone	8½	'90 Feb	103	7.76		8.25
dm 100	Mortgage Bank Denmark	7	'88 Jul	99¾	7.22	7.35	7.05
dm 150	Mortgage Bank Denmark	8½	'90 Jul	102½	7.91		8.29
dm 100	Mortgage Bank Denmark	7¾	'91 Oct	100	7.87		7.05
dm 100	Mortgage Bank Denmark	10¼	'91 Nov	112	8.16		9.26
dm 150	Mortgage Bank Denmark	8½	'93 Feb	103½	7.90		8.21

FINLAND

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 150	Finland	5¾	'88 Feb	99¾	6.40		5.79
dm 100	Finland	10½	'86 Nov	105¾	7.21		9.93
dm 150	Finland	8	'86 Dec	101½	7.15		7.88
dm 100	Finland	7	'87 Apr	100¼	6.86	6.76	6.98
dm 150	Finland	7½	'88 May	101	7.14		7.43
dm 150	Finland	9¾	'88 Apr	107¾	7.71		9.09
dm 100	Finland	10	'89 May	105½	8.44		9.48
dm 150	Finland	8	'90 Nov	104	7.15		7.69
dm 150	Finland	7½	'91 Apr	100¾	7.44		7.48
dm 80	Helsinki City	8¾	'92 Jun	104	8.12	7.92	8.53
dm 73	Imatran Voima	8	'87 Jan	101	7.46	7.89	7.92
dm 60	Ind Mtge Bank Finland	8	'86 Dec	101	7.45	6.95	7.92
dm 70	Ind Mtge Bank Finland	7	'87 Jul	99¾	7.08	7.13	7.02
dm 50	Rautaruukki Oy	5¾	'90 Apr	97¾	6.48	7.25	5.91
dm 100	Rautaruukki Oy	8	'86 Sep	101½	7.70		7.88
dm 80	Tvo Power Company	6	'88 Feb	97	7.02	7.93	6.19
dm 50	Union Bank Of Finland	6½	'88 Dec	97¾	7.15	7.50	6.65

FRANCE

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 80	Aeroport De Paris	8¼	'93 Dec	104¼	7.52	7.25	7.91
dm 100	Banque Franc Com Ext	7¾	'87 Jan	101	7.21		7.67
dm 100	Banque Franc Com Ext	7	'87 Feb	100¼	6.85	6.74	6.98
dm 150	Banque Franc Com Ext	6¾	'88 Jan	98	6.44	6.73	5.87
dm 100	Banque Franc Com Ext	9¼	'88 Apr	104½	7.64		8.89
dm 150	Banque Franc Com Ext	8¼	'90 Jul	104	7.34		7.93
dm 200	Banque Franc Com Ext	8¼	'96 Sep	103¼	7.64		7.87
dm 100	Banque Franc Com Ext	8¼	'95 Jun	105½	7.33	7.05	7.70
dm 100	Banque National Paris	7¼	'90 May	100			7.62
dm 100	Caisse Centr Coop Eco	8½	'88 Apr	101	5.48	8.47	8.42
dm 75	Caisse Centr Coop Eco	3½	'86 Jul	101¼	7.60	7.26	8.40
dm 100	Caisse Centr Coop Eco	7	'88 Apr	100	6.99	6.44	7.00

Amt	Security	%	Mar	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Degussa Intl Fin	7½	'94 Feb	104¾	6.75		7.16
dm 200	Dresdner Finance W/w	4	'90 Jun	112¾	1.68		3.55
dm 200	Dresdner Finance X/w	4	'90 Jun	90¼	5.99		4.41
dm 250	Dresdner Finance W/w	8	'92 Sep	133½	3.09		5.99
dm 250	Dresdner Finance X/w	8	'92 Sep	102¼	7.60		7.82
dm 75	Hoesch Finance	8	'93 Jul	102½	7.50		7.80
dm 150	Kaufhof Finance W/w	3¼	'94 Nov	110½	2.07		2.94
dm 150	Kaufhof Finance X/w	3¼	'94 Nov	71¾	6.87		4.88
dm 100	Kloeckner-Humboldt	6¾	'87 May	99	7.18	7.40	6.82
dm 300	Veba Intl Finance W/w	2	'93 Dec	126¾	.71		3.15
dm 300	Veba Intl Finance X/w	4	'93 Dec	84¼	6.34		4.75
dm 200	Volkswagen Intl Fin	7¼	'92 Mar	100½	7.N		7.21

ICELAND

Amt	Security	%	Mar	Middle Price	Yield Mat	Ave Life	Curr
dm 50	Iceland	7¾	'87 Apr	100½	7.48	7.75	7.71
dm 75	Iceland	9¼	'92 Jun	106	8.14		8.73

IRELAND

Amt	Security	%	Mar	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Ireland	10½	'88 Dec	104½	7.48		9.69
dm 100	Ireland	9½	'87 Sep	105½	7.25		9.00
ldm 72	Ireland 7.5303	7	'88 Jan	98	7.73	8.30	7.14
dm 100	Ireland	8½	'98 Jul	103¾	7.84		8.D
dm 150	Ireland	8¾	'91 Sep	104¼	7.79		8.57
dm 100	Ireland	8¼	'86 Dec	101	8.06		8.17
dm 150	Ireland	8¼	'92 May	101¾	7.79		7.99
dm 150	Ireland	5	'96 Oct	100¾	7.88		7.94

ITALY

Amt	Security	%	Mar	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Azienda Nazion-Strade	8¼	'88 Jun	101½	7.73		8.13
dm 100	Consorzio Di Credito	8½	'91 Jan	101¼	8.22	8.02	8.40
dm 100	Crediop Credito Opere	8	'91 Jun	103¾	7.21	6.62	7.71
dm 150	Ferrovie Dello Stato	8¼	'88 Mar	107¾	7.34		8.52
dm 100	Ferrovie Dello Stato	8	'86 Apr	101½	7.48		7.88
dm 100	Olivetti Intl (Lux)	8¼	'91 Jan	104	7.41		7.93

JAPAN

Amt	Security	%	Mar	Middle Price	Yield Mat	Ave Life	Curr
dm 50	Bank Of Tokyo Curacao	8¼	'87 Jun	103½	6.79		8.09
dm 100	Bank Of Tokyo Curacao	7¼	'90 Feb	101	7.00		7.18
dm 100	Fuji Intl Finance Hk	7¾	'92 Feb	101	7.56		7.67
dm 40	Hazama-Gumi Ltd	8¼	'87 Jan	101	6.73		8.66
dm 100	Japan Airlines	8½	'87 Nov	103	6.98		7.89
dm 100	Japan Develop Bank	7½	'87 Sep	102	6.79		7.46
dm 100	Japan Develop Bank	7½	'90 Jul	103¼	6.99		7.21
dm 100	Japan Finance Municip	7½	'86 Jul	102	7.25		7.48
dm 40	Japan Synth Rubber	10¼	'85 Apr	101¼	5.53		10.07

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 150	Norges Kommunalbank	8¼	'94 Dec	108	7.64	7.37	7.93
dm 100	Norsk Hydro	8	'88 Jan	102½	7.15	6.36	7.80
dm 200	Norpipe	6	'87 Nov	97¾	6.54	6.75	6.14
dm 150	Norsk Gas	7¾	'88 Dec	101	6.95	6.73	7.18
dm 100	Norsk Gas	7	'88 Jul	99¼	9.18	7.26	7.05
dm 100	Norsk Hydro	9	'87 Mar	102	7.97	7.34	8.82
dm 150	Norsk Hydro	6¾	'87 Jun	101	6.47	6.32	6.68
dm 100	Norsk Hydro	8½	'92 Jun	105¼	7.55	7.25	8.08
dm 100	Norsk Hydro	9	'92 Sep	107¾	7.43	7.38	8.35
dm 60	Oslo City	7½	'87 Jan	102¾	5.54	4.35	7.21
dm 70	Oslo City	9	'87 Mar	106	7.01	5.81	8.45
dm 80	Oslo City	8¼	'90 Mar	103½	7.98	7.75	8.45
dm 50	Oslo City	6¾	'90 Jul	100¼	6.88	6.65	6.73
dm 100	Oslo City	7¾	'93 May	103	7.25	7.16	7.52
dm 80	Sira-Kvina	8¼	'88 Jun	103¾	6.66	6.84	8.44
dm 100	Statoil Den Norske	6	'88 Sep	98¾	6.57	6.55	6.08
dm 150	Statoil Den Norske	6½	'89 Mar	98¾	6.83	6.95	6.58
dm 25	Trondheim City	5¾	'88 Apr	97½	6.59	6.91	5.90

PHILIPPINES

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Philippines	6¾	'87 Apr	99¾	8.76		6.80

SOUTH AFRICA

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 100	South Africa	8½	'87 Nov	101½	6.79	6.78	8.37
dm 100	South Africa	7¾	'88 Nov	101½	6.88	6.65	7.64
dm 100	South Africa	7	'87 Nov	99½	7.19	7.26	7.04
dm 200	South Africa	8½	'91 Dec	102	8.11		8.33
dm 100	Escom Electr Supply	8½	'85 Apr	100¾	7.56	7.56	8.48
dm 100	Escom Electr Supply	8	'86 May	101	7.11	6.56	7.92
dm 150	Escom Electr Supply	6¾	'87 Sep	97½	7.75	7.78	6.41
dm 100	Escom Electr Supply	9¼	'87 Nov	104¼	7.58		8.87
dm 100	Escom Electr Supply	7	'88 May	98¾	7.40	7.71	7.09
dm 150	Escom Electr Supply	8½	'90 Apr	107½	7.09		8.29
dm 100	Escom Electr Supply	9½	'90 Jan	105¼	8.26		9.03
dm 150	Escom Electr Supply	8	'92 Apr	101¼	7.78		7.90
dm 100	Escom Electr Supply	8¼	'92 Sep	102¾	7.76		8.03
dm 100	Iscor Iron Steel	7¾	'88 Jun	100½	7.34	7.27	7.71
dm 100	Iscor Iron Steel	7	'87 Apr	99	7.45	7.75	7.67
dm 100	Iscor Iron Steel	7	'88 Mar	98½	7.52	7.91	7.11
dm 100	Iscor Iron Steel	9	'88 Mar	103½	7.97		8.70
dm 100	Iscor Iron Steel	5½	'86 Nov	101¼	7.96	7.45	8.35
dm 80	Johannesburg City	5	'88 Sep	101	7.35	7.11	7.95
dm 50	Johannesburg City	10	'88 Oct	105	7.82		9.52
dm 100	Johannesburg City	6¾	'87 Sep	97¼	7.75	7.96	6.43
dm 100	Post Telecom Pretoria	9	'88 Oct	104	8.11		8.65
dm 150	Post Telecom Pretoria	8¾	'91 Jun	101¼	8.11		8.27
dm 100	South Africa Railways	7¾	'88 Jun	99¾	7.56	7.61	7.52
dm 100	South Africa Transpor	7¾	'92 Nov	98	7.97		7.75

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 200	Eec Europ Econom Com	5	'86 Nov	102½	6.63	7.49	7.08
dm 300	Eec Europ Econom Com	7¼	'95 Feb	101	7.48	7.55	7.42
dm 100	Eec Europ Econom Com	7½	'96 Nov	100	7.50		7.50
dm 100	Eib Europ Invest Bank	7½	'88 Mar	101½	6.30	5.41	7.39
dm 100	Eib Europ Invest Bank	7¼	'90 Oct	101	5.42	4.42	7.18
dm 100	Eib Europ Invest Bank	6½	'86 Mar	99¾	6.66	6.66	6.52
dm 100	Eib Europ Invest Bank	6	'87 Sep	97½	6.19	4.29	6.02
dm 100	Eib Europ Invest Bank	6¾	'88 Feb	100	6.74	6.73	6.83
dm 150	Eib Europ Invest Bank	7	'88 Jul	100¾	6.74	6.61	6.95
dm 150	Eib Europ Invest Bank	6	'88 Aug	97¾	6.54	6.97	6.15
dm 100	Eib Europ Invest Bank	8½	'87 Nov	105	7.27		8.10
dm 250	Eib Europ Invest Bank	5¾	'90 Mar	96	6.15	6.46	5.99
dm 300	Eib Europ Invest Bank	6	'90 Oct	95	7.00		6.32
dm 250	Eib Europ Invest Bank	9½	'90 Dec	107¾	7.94		8.82
dm 200	Eib Europ Invest Bank	6½	'86 Jan	96½	7.22		6.74
dm 200	Euratom	5¾	'87 Nov	97¾	6.81		5.91
dm 150	Euratom	7¾	'93 Apr	99¾	7.47		7.43
dm 50	Eurofima	6¾	'87 Sep	101½	5.44	5.33	6.77
dm 100	Eurofima	5½	'86 Feb	98	6.15	6.24	5.61
dm 50	Eurofima	6½	'88 Mar	99½	6.66	6.76	6.53
dm 50	Eurofima	8	'88 Oct	103½	6.93	6.34	7.73
dm 80	Eurofima	5½	'88 Nov	98	6.88	6.38	5.61
dm 100	Eurofima	6½	'89 Feb	107	6.47	6.48	6.53
dm 100	Eurofima	7½	'90 Jul	102½	5.89		7.23
dm 100	Eurofima	8¼	'90 Oct	104½	7.15		7.88
dm 102	Eurofima	7½	'91 Mar	102½	6.79		7.25
dm 300	Eurofima	10¼	'91 Nov	110½	8.28		9.28
dm 100	Eurofima	9	'92 Apr	106	7.88		8.49
dm 100	Eurofima	7¾	'92 Jul	100½	6.96		7.72
dm 100	Eurofima	7¾	'86 Mar	101½	7.20		7.64
dm 100	Inter-American Dev Bk	8½	'87 Sep	101½	6.40	6.41	8.37
dm 100	Inter-American Dev Bk	7	'87 Jan	100	6.99		7.00
dm 100	Inter-American Dev Bk	6¾	'87 Jun	100	6.73	6.72	6.75
dm 100	Inter-American Dev Bk	6¾	'87 Nov	100	6.73	6.74	6.75
dm 100	Inter-American Dev Bk	6¼	'88 Jan	97½	7.27		6.41
dm 50	Inter-American Dev Bk	5	'88 Jul	103¼	7.27		7.26
dm 40	Nordic Investment Bk	6¾	'86 Jun	97½	6.88		7.09
dm 250	World Bank	5½	'85 Apr	100	5.48	5.48	5.50
dm 100	World Bank	6½	'87 May	99¾	6.96		6.52
dm 300	World Bank	6	'85 Sep	99¾	4.37		6.02
dm 150	World Bank	8	'86 Jan	101¼	6.77	5.76	7.88
dm 100	World Bank	10	'88 May	104½	4.52		9.57
dm 200	World Bank	7¾	'88 Jun	101	6.75	6.45	7.43
dm 250	World Bank	7½	'86 Dec	101	6.85	6.45	7.42
dm 250	World Bank	7	'87 Jan	102			
dm 250	World Bank	6¾	'87 Mar	100¼	6.41	6.38	6.73
dm 400	World Bank	6¾	'87 May	99¾	6.59		6.52
dm 250	World Bank	6¾	'88 Mar	99	6.69	6.84	6.44
dm 150	World Bank	8¾	'88 Jan	103½	7.31		8.45
dm 200	World Bank	6	'86 Aug	97½	6.77		6.35
dm 200	World Bank	7¾	'88 Aug	102¾	7.02		7.58

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 75	Ardal Og Sunndal Verk	10¼	'89 Jul	109	8.29		9.86
dm 50	Bergen City	8¾	'85 May	101½	5.12	5.09	8.62
dm 50	Bergen City	7¾	'89 Feb	101¼	4.89	6.60	7.16
dm 50	Den Norske Industribk	6¾	'86 Jun	99½	6.87	6.95	6.78
dm 125	Den Norske Industribk	6	'90 May	97¼	6.61	7.06	6.17
dm 50	Norcem	5¾	'85 Mar	100	5.63		5.75
dm 50	Norges Hypotekforenin	7¼	'87 May	100	7.22	7.20	7.25
dm 60	Norges Hypotekforenin	6	'89 Nov	97¼	6.54	6.86	6.14
dm 50	Norges Kommunalbank	8½	'85 Oct	101	7.22	7.22	8.43
dm 220	Norges Kommunalbank	8¼	'87 Mar	100¼	8.34	8.10	8.68
dm 150	Norges Kommunalbank	6¼	'89 Jan	99	6.53	6.72	6.31
dm 100	Norges Kommunalbank	7	'89 Apr	99¾	7.05	7.08	7.02
dm 100	Norges Kommunalbank	7¾	'89 Aug	101	7.11	6.96	7.25
dm 200	Norges Kommunalbank	6	'89 Dec	97¼	6.66	7.13	6.17
dm 100	Norges Kommunalbank	6	'90 Aug	97½	6.53	6.84	6.15
dm 150	Norges Kommunalbank	7¾	'91 Jul	101¼	7.39	7.10	7.47

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 150	Ecs Euro Coal & Steel	8	'88 Nov	97¾	6.82		6.17
dm 100	Ecs Euro Coal & Steel	7¾	'88 Nov	108	5.44	4.21	7.18
dm 150	Ecs Euro Coal & Steel	9½	'88 Dec	104	8.29	7.64	9.15
dm 150	Ecs Euro Coal & Steel	7¾	'98 Jan	102	7.36		7.72
dm 150	Ecs Euro Coal & Steel	5¾	'90 Apr	95½	6.26	6.82	3.59
dm 140	Ecs Euro Coal & Steel	8	'90 Aug	103¾	7.16		7.71
dm 100	Ecs Euro Coal & Steel	10	'91 Mar	100	8.30	7.71	9.26
dm 150	Ecs Euro Coal & Steel	7	'91 Apr	99¾	7.14	7.25	7.05
dm 150	Ecs Euro Coal & Steel	7¾	'92 Sep	101	7.49	7.58	7.80
dm 150	Ecs Euro Coal & Steel	7½	'93 Jan	100¾	7.45	7.44	7.48
dm 60	Ecs Euro Coal & Steel	9¾	'86 Jan	109½	8.23	7.60	8.90
dm 200	Ecs Euro Coal & Steel	8	'86 Nov	102¼	7.67	7.59	7.02
dm 200	Eec Europ Econom Com	8	'92 Jan	102¾	7.48		7.79
dm 250	Eec Europ Econom Com	8¾	'93 Jan	103	7.75		8.01
dm 100	Eec Europ Econom Com	10½	'93 Oct	108¼	8.75	8.81	9.35
dm 250	Eec Europ Econom Com	9¾	'86 Apr	109¾	8.21	7.42	8.88

Amt	Security	%	Mat	Middle Price	Yield Mat	Ave Life	Curr
dm 100	Mcdonalds Finance Co	8¼	'92 Oct	104½	7.42		7.87
dm 100	Mcdonalds Finance Co	7¾	'92 Dec	102	6.79		6.99
dm 100	Mcdonalds Finance Co	7¾	'86 Jul	102	7.44		7.68
dm 250	Pepsico O/s Finance	7¼	'94 Feb	102	6.94		7.11
dm 150	Philip Morris Intl Co	9½	'86 Feb	106½	7.62		8.92
dm 100	Philip Morris Intl Co	8¼	'90 May	104½	7.21		7.89
dm 100	Philip Morris Intl Co	7½	'90 Dec	102½	6.98		7.32
dm 125	Reynolds RJ O/s	7¾	'94 Jan	101	7.25		7.30
dm 150	Sperry Curacao	8	'94 Jul	103¾	7.43		7.71
dm 250	Sterling-Winthrop Fin	7¼	'94 Mar	99¼	7.36		7.30
dm 100	Sun Intl Finance	7½	'88 Aug	101¾	6.93	6.65	7.32
dm 100	Tenneco Intl	9	'92 Jul	106	7.91		8.49
dm 100	United Technologies	7¼	'93 Oct	100½	7.15		7.21
dm 100	United Technologies	7¾	'93 Dec	102¾	7.16		7.42
dm 50	Walls Fargo Intl W/w	6½	'88 Nov	149	4.55	10.14	4.36

Chicago Exchange Options

For the Week Ending Nov. 23, 1984

Option & price		Calls Dec	Calls Mar	Puts Dec	Puts Mar
A R A	65	1	6¾	r	r
70¼	70	r	1¾	¼	r
Apache	10	1 5-16	r	1-16	r
11⅛	15	r	¼	r	r
BrisMy	20	10¼	r	r	r
50¼	45	5½	6⅝	1-16	11-16
50¼	50	1 7-16	3⅛	⅞	2
50¼	56	⅛	⅞	r	r
Bruns	25	8½	r	r	r
33	30	3⅛	5	r	r
33	35	⅜	1 13-16	r	r
Ceton	12	14	r	r	r
78⅛	70	9	r	⅛	r
78⅛	72	2½	r	⅜	r
73⅛	80	15-16	r	r	r
Champln	15	5¼	r	r	r
20⅛	20	11-16	1 7-16	⅜	1⅛
20⅛	25	r	⅛	r	r
ComoSc	15	⅜	1¼	r	r
Dow Ch	25	4⅝	5	r	r
29⅛	20	9-16	1½	1	1⅞
29⅛	35	1-16	¼	r	r
FBosI	45	8	7¼	r	r
52⅞	55	1¼	r	r	r
Ford	30	15¾	r	r	r
46⅛	35	11⅜	11	r	r
46⅛	40	6¼	7¼	⅛	¼
46⅛	45	2 5-16	2⅞	15-16	2¼
46⅛	50	¼	2	4¼	5¼
46⅛	55	1-16	¾	r	r
Gen El	50	8	8⅛	r	5-16
57⅛	55	2⅞	4⅛	⅜	1¼
57⅛	60	7-16	1¾	2⅞	3⅛

Mutual Funds

Closing Prices Nov. 23, 1984

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc. are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

	Bid	Ask
ABT	Family:	
ABirth	12.39	13.54
Emrg	10.96	11.98
SecInc	10.97	11.99
TxMg	15.46	16.90
Acorn F	30.58	NL
ADV	19.09	NL
Afuture	11.50	NL
AIM	Funds:	
CvYld	11.30	12.09
Grnwy	7.94	8.49
HiYld	9.76	10.44
Summit	5.09	
Alliance	Cap.	
Intl	10.57	11.55
Morta	9.44	9.94
Tech	16.32	17.84
Alpha F	19.84	21.68
Amer	Capital:	
Corp	6.63	7.25
Cmstk	12.97	14.17
Entrp	11.07	12.10
Exch	44.16	NL
Fd Am	11.14	12.17
GvSec	11.97	12.70
Grow	21.09	NL
Harbr	11.96	13.07
Hi Yld	9.55	10.24
Mun B	11.00	11.85
OTC	8.53	9.32
Pace	18.60	20.33
Provid	4.47	5.04
Ventr	13.56	14.82
American	Funds:	
A Bal	9.95	10.87
Amcp	8.10	8.85
A Mutl	14.71	16.08
Bond	12.61	13.78
Eupac	13.97	15.27

	Bid	Ask
BostFFd	13.66	14.93
Bowser	3.66	NL
Bruce	184.44	NL
Bull & Bear	Gp:	
CapitG	12.67	NL
Equity	11.00	NL
Golcn	10.87	NL
HIY20	13.90	NL
Calvert	Group:	
Equity	16.21	NL
Inco	15.10	NL
Social	17.02	NL
TxFL	10.26	NL
TxFL	14.43	NL
Calvin	Bullock:	
AggG1	7.1E	7.85
Bullck	15.69	17.15
Candn	7.84	8.57
Div20	2.95	3.22
HiInc	10.96	11.02
Month	11.06	12.09
NI WS	10.94	11.96
TxFre	9.29	9.75
Cardnl	10.09	11.90
Carnog	13.65	14.92
Cnl Shs	12.71	NL
Charl Fd	6.13	NL
Chs Dir	10.32	NL
Chestnut	47.36	NL
CIGNA	Funds:	
Grwth	12.79	13.83
HIYld	9.49	10.26
Incom	6.76	7.31
MuniB	6.72	7.29
Colonial	Funds:	
CapApr	unavail	
CpCsh	46.88	47.84
Fund	13.83	15.11
GvSec	11.61	12.66
Grwth	9.41	10.28
Hi Y20	7.07	7.58
Incom	6.86	7.36
OptInc	8.01	8.75
OptInII	11.48	12.55
TaxEx	11.57	12.15
ColuFix	12.11	NL
Colu Gth	21.23	NL
Cwlth AB	1.38	1.49
Cwlth CD	1.98	2.05
Composite	Group:	
Bond	9.15	NL
Fund	9.53	NL
Tax	6.27	NL
Concord	25.16	NL
Constel G	16.45	NL

	Bid	Ask
Inform	12.16	NL
Levge	15.88	17.36
GlnOp	9.47	NL
NY Tn	12.84	NL
Spl Inc	7.38	NL
Tax Ex	10.73	NL
Thrd C	6.39	NL
Eaol Gth	7.16	7.83
Eaton	Vance:	
EHBal	7.69	8.29
EHStk	11.96	12.89
GvlOblg	12.46	13.36
Grwth	6.99	6.55
HIYld	4.80	5.25
IncBos	8.88	9.70
Invest	7.88	8.61
SpEql	18.28	19.71
TanM	14.82	16.20
VS Spl	11.13	12.16
Eberstadt	Group:	
Chem	9.15	10.00
EngRs	11.02	12.04
Survey	12.03	13.15
EmgB20	15.13	15.88
EngUtil	21.98	NL
Evrgrn r	39.52	NL
EvrgrTtl	15.06	NL
FPA	Funds:	
Capit	9.11	9.90
NwInc	8.37	NL
Parml	13.75	15.01
Peren	15.87	17.34
Frm BG	unavail	
Federated	Funds:	
Am Ldr	10.85	11.60
Exch	34.35	NL
FdlIntr	9.66	NL
GNMA	10.61	NL
Hi Icm	11.59	12.40
Inco	10.37	NL
Short	18.15	NL
Stock	15.90	NL
Tx Fre	8.56	8.96
US Gvt	8.38	8.77
Fidelity	Invest:	
Bond	6.62	NL
Congrs	52.64	NL
Contfd	9.91	NL
Dstny n	11.23	NL
Discv	18.44	NL
Eq Inc	24.02	24.51
Exch	43.55	NL
Fidel	14.93	NL
Fredm	12.30	NL
Gvl Sec	9.25	NL
HiIncq	8.72	NL
Hi Yld	10.92	NL
Ll Mun	8.06	NL
Magel	33.12	34.14
Mun Bd	6.56	NL
MassTx	0.57	9.67
Merc	11.94	NL
Puritn	11.42	NL
SelDel	11.31	NL

	Bid	Ask
Grwth	11.46	12.36
NY Tax	9.63	10.03
Option	8.17	6.65
Utlity	6.23	6.72
Incom	1.W	2.15
US Gov	7.09	7.39
Equit	4.61	4.97
CalTx	6.13	6.39
FrdmGG	14.71	15.48
Fd ofSW	9.96	10.76
OrT HY	9.91	NL
GT Pac	17.12	NL
Gate Do	14.02	NL
Gen Elnc	Inv:	
Elinin	unavail	
ElfnTr	unavail	
Elfn7n	unavail	
S&S	unavail	
S&S Lo	unavail	
Gen Sec	11.43	NL
GintelEr	34.39	NL
Gintel	75.15	NL
GrdsEm	8.38	NL
GrdsnEs	10.54	NL
Grth Ind	10.35	NL
GrdPkA	17.84	19.50
Ham HDA	5.28	5.77
Hart Gth	9.95	NL
Hart Lev	10.30	NL
Homeinv	10.10	NL
Har Man	22.92	NL
Hutton	Group:	
Bond r	10.84	NL
Calif	9.21	9.59
Emrg r	9.83	NL
Gwth r	12.90	NL
OptInc	9.18	NL
GovSec	9.98	NL
Natl	9.88	10.29
NY Mun	9.60	10.00
IRI Stck	14.25	14.95
IDS	Mutual:	
IDS Ag r	5.48	NL
IDS Eq r	5.43	NL
IDS Inr	5.75	NL
IDS Bd	4.62	4.78
IDS Dis	6.02	6.33
IDS Ex	4.79	5.05
IDS Grt	14.65	15.42
IDS HIY	3.83	4.03
IDS ND	7.46	7.85
IDS Prog	6.04	6.35
Mutl	10.82	11.39
IDS Tn	3.33	3.51
Stock	15.56	16.38
Select	7.71	8.12
Variab	7.61	8.02
ISI	Group:	
Grwth	6.38	8.97
Incom	3.80	4.15
Trst Sh	10.42	11.39
Industry	6.36	NL
Intl Invst	12.12	13.25
InvPEq	8.89	NL

	Bid	Ask
LehCap	16.42	NL
Lehmvst	17.60	NL
Levrge	6.96	NL
Lexington	Grp:	
CLar Tr	11.73	12.60
Goldfd	3.65	NL
GNMA	7.68	NL
Grow	7.86	NL
Resh	18.14	NL
LindDv	22.35	NL
Lindnr	18.03	NL
Loomis	Sayles:	
Capit	17.07	NL
Mut	16.77	NL
Lord	Abbett:	
Affild	8.78	9.47
Bnd db	9.93	10.85
Dev Gt	2.16	7.83
Incom	3.04	3.28
TaxFr	9.15	9.61
TaxNY	9.28	9.72
ValAp	8.71	9.52
Lowry	8.52	9.31
Lutheran	Bro:	
Fund	14.75	15.53
Incom	8.61	9.06
Munr	6.61	6.96
Mass	Financl:	
MFr	9.86	10.77
MFG	9.96	10.46
MIT	11.38	12.27
MIG	11.24	12.12
MID	8.61	9.28
MCD	10.02	18.88
MEG	12.71	13.70
MFD	10.39	11.20
MFB	12.67	13.66
MMB	9.10	9.55
MFH	6.82	7.35
MMH	9.63	10.11
MSF	6.71	2.23
Mathers	19.66	NL
Meschrt	22.03	NL
Merrill	Lynch:	
Basic	13.17	14.09
Capit	18.86	20.17
Eqt Bd	11.00	11.46
FedSc	9.69	10.34
FdTm	18.75	NL
HiInc	7.77	8.09
Hi Qll	10.49	10.93
IntHld	9.39	10.26
InTrm	10.47	10.68
LtMat	9.72	9.84
MunHI	8.85	9.22
MunIIn	6.78	7.06
PacFd	15.47	16.55
Phnix	10.56	11.29
SciTch	8.93	9.76
Spl Val	11.12	11.89
Mid AM	6.64	7.26
MidAHI	4.67	5.10
MwBBV	18.54	NL
MSB Fd	19.05	NL

CONVERTIBLE BONDS

Amt	Security	%	Mat	Mid. Price	—Conv. Period—		—Conv. Price b/sh—	Conv. Prm.	Curr Yld. Sh%
	EUROPE								
$30	Aga Ab	9½	'90 Sep	123	1 Feb 82	15 Jun 96	skr 178 = skr 273.328	.36	1.72
$70	Akzo 29.60	4¾	'87 Jan	92½	1 Sep 69	maturity	hfl 121.60 = hfl 114.169	12.65	4.27
$20	Alusuisse Capit 17.08	6½	'92 Jan	70	16 Jan 81	maturity	$ 50 5/9	49.05	
$69	Alusuisse Intl	4¾	'87 Mar	84½	1 Sep 69	maturity	$ 1244 1/5	91.87	
$25	Amro Bank 86.92	5½	'89 Jan	159	1 Jan 78	31 Dec 88	hfl 21.90 = hfl 39.339	1.30-	5.92
$30	Babcock Nederland	7	'92 Oct	87	17 Apr 78	15 Sep 92	p 113 = p 157.771	1.25-	5.84
$84	Bbc Brown Boveri 5.24	4¾	'93 Dec	65	1 Jul 79	maturity	$ 200 3/8	45.26	2.79
$57	Bbc Brown Boveri 10.00	4¼	'95 Dec	20	1 Feb 96	maturity	$ 100	6.87	2.79
$30	Beecham Fin 339.47	6¾	'92 Sep	142	15 Sep 79	18 Aug 92	p 169 = p 235.834	3.92-	2.59
$30	Boots Co Ltd	6¾	'93 Aug	121	1 Feb 79	1 Jul 93	p 100 = p 143.593	5.74-	4.52
$99	Ciba-Geigy O/s 2.00	6	'94 Jul	117½	3 Sep 20	maturity	$ 675	2.45-	1.06
$100	Credit Suisse Bahamas	4¼	'93 Dec	84	10 Jan 77	maturity	$ 1000	1.15	4.25
$100	Credit Suisse Bahamas	4¾	'95 Dec	84½	1 Oct 20	maturity	$ 1250	16.58	4.36
$51	Electrowatt Finance	5	'98 Jun	77	27 Oct 82	29 Jun 98	$ 1250	4.41	2.59
$20	Elsevier-Ndu 48.48	8¼	'87 Mar	151	1 May 80	20 Feb 95	hfl 39.66 = hfl 69.709	2.08-	1.52
$25	Ennia Nv 41.76	7¼	'92 Jun	158	15 Jun 20	maturity	hfl 58.82 = hfl 80.933	2.39-	4.73
$25	Esselte Ab	7¾	'89 May	89½	15 Sep 20	5 May 89	skr 152 = skr 301.735	1.91	3.02
ff 100	Gervais-Danone .73	5	'87 Jun	174	15 Sep 72	maturity	ff 1266.180	5.67-	2.86
$75	Hanson O/s Finance	9½	'85 Oct	311	12 Jan 81	7 Oct 95	p 42 = p 80.082	6.40-	1.88
$35	Hanson O/s Finance	9½	'96 Oct	231	1 Aug 81	7 Oct 96	p 00 = p 104.524	9.23-	1.80
$46	Hoogovens 34.62	5¼	'88 Aug	87½	1 Jan 69	maturity	hfl 98 = hfl 92.081	23.87	
$100	Ici Finance 1.25	8½	'99 Oct	101⅛	15 Oct 96	1 Oct 99	p 800	23.31	.82
$100	Ici Intl Fin 124.27	8¾	'92 Oct	100	1 May 78	1 Sep 97	p 460 = p 641.916	.94-	3.70
$35	Inchcape Bermu 151.23	6¾	'95 Apr	20	15 Oct 77	18 Mar 92	p 385 = p 529.689	14.33	4.96
$40	Inchcape Bermu 93.27	8	'95 Aug	73	15 Feb 01	15 Jul 95	p 455 = p 858.754	71.20	4.96
$26	Intershop O/s 5.82	5¾	'99 Oct	95½	2 Apr 20	maturity	$ 249	.88-	3.46
$26	Intershop O/s 10.00	6	'95 Oct	96	1 Oct 83	maturity	$ 245	1.71	3.46
$25	Metropolitan Estate	8½	'96 Jan	85	1 Feb 81	15 Dec 95	p 239 = p 454.293	29.30	2.49
$54	Michelin Intl 4.57	6	'85 Jan	99½	1 Apr 70	maturity	ff 1234 = ff 2012.946	153.N	4.27
$50	Moet-Hennessy 4.85	7	'99 Jan	102	2 Jun 85	2 Apr 99	$ 206.184	8.63	9.30
$71	Rank Organisat 68.86	4¾	'93 Feb	57½	14 Feb 72	maturity	p 615 = p 1163.380	147.36	2.96
ldm 00	Rothmans Intl 1487.48	6½	'92 Jun	102½	1 Jan 35	maturity	p 47 1/2 = p 138 1/2	3.16-	6.50
$30	Sandvik Ab 23.74	6¾	'88 Mar	97	2 Jan 19	8 May 88	skr 281.40 = $ 42.123	2.13-	2.49
$80	Slater Walker 334.45	5¾	'87 May	87½	1 Jan 75	14 May 20	p 115 = p 239.589	183.30	2.97
$49	Surveillance	2¾	'92 Jan	92½	1 Jul 81	maturity	$ 1850	14.23	1.56
$50	Surveillance	4½	'86 Jun	84½	1 Jul 96	maturity	$ 1950	11.92	1.64
$120	Swiss Bank Co O/s	6¾	'90 Dec	81	1 Sep 88	maturity	$ 200	24.43	3.34
$20	Taylor Woodrow Intl	8¾	'90 Dec	97	12 Jan 81	1 Nov 30	p 247 = p 473.365	30.16	7.29
$25	Thorn Intl Finance	7	'88 Jul	92	1 Nov 78	15 Jul 98	p 348 = p 525.543	.94	2.29
$120	Ubs (luxembourg) 1.00	4½	'87 May	120	1 Jun 77	maturity	$ 1200	1.80-	2.82
$115	Ubs (panama) 15.00	5	'88 May	84	1 Feb 88	maturity	$ 76 2/3	12.82	2.90
	JAPAN								

Amt	Security	%	Mat	Mid. Price	—Conv. Period—		—Conv. Price b/sh—	Conv. Prm.	Curr Yld. Sh%
$35	American Medica 48.26	9¼	'93 May	113	30 Aug 82	maturity	$ 28.720	7.03	2.74
$25	American Motor 161.55	6	'93 Apr	81	1 Oct 77	maturity	$ 6.190	27.39'	
$50	American Tobacc 55.56	5¾	'88 Aug	335	15 May 69	maturity	$ 18	2.55-	6.86
$30	Arat Incorp 19.14	5	'87 Sep	78	1 Jun 73	maturity	$ 52 1/4	179.85	3.39
$25	Apache Intl Fin 43.24	9½	'96 Jun	73	14 Oct 01	maturity	$ 20 1/8	54.17	2.49
$00	Bankers Intl Lu 34.13	5	'88 Jun	173	1 Dec 67	maturity	$ 29.300	3.45-	4.67
$40	Barnett O/s Fin 25.24	7¼	'98 Aug	106½	1 Aug 83	maturity	$ 20 5/8	2.61	3.31
$20	Beatrice Foods 57.14	7¾	'90 Nov	148	1 Jul 71	maturity	$ 17 1/2	5.49-	5.74
$25	Beatrice Foods 43.72	4¾	'97 Aug	122	1 Mar 72	maturity	$ 20 7/8	5.80-	5.74
$25	Beatrice Foods 35.71	4½	'92 Sep	105	1 Apr 73	maturity	$ 28	.76-	5.74
$25	Beatrice Foods 43.96	4¾	'93 Aug	124	1 Apr 74	maturity	$ 22 1/2	4.79-	5.74
$25	Blocker Energy 45.71	8¼	'95 Jul	42	20 Oct 80	maturity	$ 71 7/8	818.75	
$25	Broadway-Hale 24.10	4¾	'87 Jun	88	15 Jun 75	maturity	$ 41 1/2	47.58	5.N
$7	Carrier O/s 34.48	6	'89 Dec	100	31 Jul 78	maturity	$ 29	5.85-	7.48
$15	Cdc Control Daf 16.55	5	'96 Apr	63	15 Oct 68	maturity	$ 60.420	42.27	1.07
$50	Charter Intl Fi 20.51	8¼	'86 Oct	15	5 Feb 88	maturity	$ 48 3/4	317.48	
$25	Chesebrough-Pon 37.75	6¼	'84 Dec	128	15 Sep 70	maturity	$ 26 1/2	4.73-	5.34
$50	Chevron O/s Fin 64.37	5	'88 Feb	205	1 Aug 68	maturity	$ 15.535	4.22-	7.22
$40	Chrysler O/s 16.13	5	'86 Feb	95	15 Aug 68	maturity	$ 62	117.N	3.49
$60	Chrysler O/s 13.41	4¾	'88 May	99	15 Dec 68	maturity	$ 25 1/2	143.87	3.49
$110	Comsat Intl 20.44	7¾	'98 Oct	76	15 Oct 83	maturity	$ 20 7/8	53.97	4.97
$25	Contl Tel Intl 42.18	5½	'88 Mar	94	1 Apr 69	maturity	$ 23.710	6.13	8.19
$30	Crutcher Finance 29.46	8¾	'93 Dec	38½	2 May 81	maturity	$ 33.944	576.98	
$15	Cummins Intl Fin 18.35	6¾	'86 Oct	135	30 Jan 78	maturity	$ 54 1/2	3.02-	2.41
$20	Cummins Intl Fin 27.65	5	'88 Aug	204	1 May 69	maturity	$ 36.100	3.58-	2.61
$20	Damon Corp 13.75	5¾	'87 Dec	75½	1 Jul 72	maturity	$ 72 3/6	377.82	1.74
dm 718	Deutsche Texaco 5.88	5	'86 May	18	1 Nov 67	15 Apr 98	dm 170	61.26	8.38
$0	Dictaphone Intl 34.19	5½	'88 Mar	220	1 Oct 68	maturity	$ 25 1/4	4.67-	3.14
$20	Digicon Finance 33.90	5½	'93 Oct	46	23 Feb 01	maturity	$ 29 1/2	47.37	
$15	Dynalectron Intl 81.83	9½	'90 May	95	9 Sep 88	maturity	$ 12.220	13.26	2.44
$70	Eastman Kodak 30.42	4½	'88 May	91	15 May 69	maturity	$ 30	19.85	5.71
$13	El Eco Labs Intl 21.98	4¾	'87 Dec	87½	1 Oct 72	maturity	$ 45 1/2	32.13	4.27
$13	Electron Memori 29.85	5½	'88 Dec	70	15 Jul 09	maturity	$ 25 1/2	335.58	
$50	Esterline Intl 25.21	8¼	'87 Oct	90½	2 Apr 81	maturity	$ 81.667	57.88	2.83
$20	Fed Dept Stores 24.39	4½	'85 Dec	114	15 Jul 66	maturity	$ 41	5.34-	4.80
$00	Fedders Capital 21.36	5	'92 May	46	15 Dec 78	maturity	$ 42 1/4	357.58	
$20	Firestone O/s 34.04	5	'88 May	82½	21 Dec 64	maturity	$ 29 3/8	45.77	4.91
$50	Ford Intl Capit 29.71	6	'88 May	130½	1 Oct 71	maturity	$ 33.600	1.84-	4.42
$75	Ford Intl Financ 26.68	5	'88 Mar	117½	30 Apr 74	maturity	$ 37.400	1.59-	4.47
$12	Galaxy Oil Intl 58.63	8½	'90 Jan	50	7 May 81	maturity	$ 19 1/2	328.89	
$50	General Electri 24.77	4¾	'87 Jun	128	15 Jun 25	maturity	$ 40 3/8	1.11-	3.08
$15	Genesco World 26.32	5½	'88 Mar	75	1 Nov 60	maturity	$ 78	282.43	
$50	Gillette Corp 14.93	4¾	'87 Dec	92½	30 Jun 73	maturity	$ 67	14.08	4.42
$75	Gillette O/s Fi 18.52	8	'93 Mar	106	1 May 83	maturity	$ 54	4.79	4.47

Amt	Security	%	Mat	Mid. Price	—Conv. Period—		—Conv. Price b/sh—	Conv. Prm.	Curr Yld. Sh%
$50	Squibb Intl Fin 17.84	4¾	'87 Jun	96	12 May 73	maturity	$ 57	9.98	2.83
$1000	Texaco Capital 30.00	11¾	'96 May	100½	1 May 84	maturity	$ 50	46.78	8.72
$100	Texaco Capital 28.80	11¾	'94 May	99½	15 May 88	maturity	$ 50	44.72	8.23
$75	Texaco (europe) 22.40	4½	'88 Jul	98	15 Apr 69	maturity	$ 38	13.28	8.73
$29	Texas Intl Airl 68.97	7½	'93 Aug	42½	15 Dec 70	maturity	$ 44 1/2	20.82	
$30	Tipco Finance 13.13	8¼	'96 Mar	82	16 Oct 81	maturity	$ 14 1/2	152.93	
$50	Tosco Intl Fin 26.76	8	'95 Oct	31	1 Apr 81	10 Oct 95	$ 30.180	128.88	
$50	Transco Intl 15.60	8¾	'95 Dec	93	15 Aug 81	maturity	$ 64.138	30.79	4.13
$20	Tricare Oil Gas 32.00	8½	'95 Sep	72½	24 Feb 81	maturity	$ 81 1/4	35.26	.48
$10	Trw Intl Financ 19.85	5	'88 Feb	131	1 Feb 69	maturity	$ 52 1/2	2.10-	1.99
$50	Usair Finance 28.67	7	'87 Sep	98½	15 Mar 68	maturity	$ 34 7/8	10.77	.37
$30	Varco Intl Fin 22.79	8½	'98 Mar	46	20 Oct 81	maturity	$ 38 1/2	574.82	
$40	Warner Lambert 28.83	4½	'87 Apr	88	1 Apr 73	maturity	$ 44	28.80	4.48
$30	Warner Lambert 16.26	4¾	'88 Apr	70	1 Apr 74	maturity	$ 61 1/2	49.87	4.48
$20	Warner Lambert 34.48	4½	'88 Aug	110	1 May 67	maturity	$ 29	3.32-	4.48
$75	Xerox Corp 6.76	8	'88 Dec	79½	1 Jan 75	maturity	$ 148	710.88	8.11

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

Amt	Security	%	Mat	Mid. Price	Conv. Period		Conv. Price	Conv. Prm.	Curr Yld.
$50	Nat Overseas 1119.56	10½	'86 Jul	103	1 Nov 84		nz$ 1.800 = nz$ 1.825	2.48	3.87
$100	Elders Nv 255.10	11¾	'94 Jul	109	20 Sep 88	7 Jul 94	a$ 3.187 = a$ 3.088	3.83-	4.86
$15	Massmutual Mtge 58.80	8	'96 Jul	84	30 Sep 83	maturity	$ 38	7.50	11.95
$50	South Calif Edi 61.78	12½	'97 Aug	126½	7 Jan 82	maturity	$ 16.188	.40-	9.17
$20	Toyo Menka Kaisha	7¾	'96 Mar	84	1 Dec 80	21 Mar 96	Y 193 = 238.047	1.84-	2.34
$50	Ina O/s Finance 23.81	8¾	'93 Sep	97½	1 Apr 81	25 Aug 00	$ 42	9.30	7.87
$25	Esselte Ab	7¾	'89 May	89½	15 Sep 20	5 May 89	skr 152 = skr 301.735	1.91	3.02
$50	Sumitomo Metal Indust	7	'95 Sep	81	2 Feb 81	28 Sep 95	Y 175.70 = 197.147	7.91	3.38
$25	American Medica 48.26	9¼	'97 May	113	20 Aug 82	maturity	$ 20.720	7.03	2.74
$25	Babcock Nederland	7	'92 Oct	87	17 Apr 78	15 Sep 92	p 113 = p 157.771	1.25-	5.84
$25	Sankyo Electric Co	8¼	'95 Mar	103	1 Apr 80	30 Mar 95	Y 377.30 = 383.725	4.57-	1.59
$30	Aga Ab	9½	'96 Sep	123	1 Feb 82	15 Jun 96	skr 178 = skr 273.328	.36	1.72
$25	Thorn Intl Finance	7	'88 Jul	92	1 Nov 78	10 Jul 88	p 348 = p 525.543	.94	2.29
$75	Gillette O/s Fi 18.52	8	'93 Mar	106	1 Mar 83	maturity	$ 54	4.79	4.47
$20	Asahi Optical Co	7	'86 Mar	94	1 Nov 79	15 Mar 94	Y 457.50 = 502.028	3.19-	1.34
$15	Asics Co	5¾	'93 Jan	30	1 Sep 78	8 Jan 93	Y 406.50 = 458.723	1.06-	2.42
$15	Holiday Inns 28.57	8	'98 Oct	112	1 May 71	maturity	$ 35	3.68-	2.29

Explanation of Symbols

Cfts	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LFR	Luxembourg Franc
L	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc
NMD	Norwegian Kroner - DM		

New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price end week	Terms
FLOATING RATE NOTES							
BAWAG	$75	1999	⅛	100	—	99.18	Over 6-month Libor. Minimum coupon 5¼%. First callable at par in 1988. Redeemable at par after 1994. Fees 1.20%.
Southeast Banking Corp	$75	1996	⅛	100	—	99.32	Over 6-month Libor. Minimum coupon 5¼%. Callable at par after 1985 Fees 1.0%.
Sweden	$700	2004	libid	open	—	99.28	Interest pegged to 6-month rate for Eurodollars. Minimum coupon 5¼%. Callable at par after 1985. Redeemable at par after 1989. Sold by tender. Denominations are $10,000. Price to be fixed Nov. 29.
Banque Nationale de Paris PLC	£25	1994	⅛	100	—	—	Over 6-month Libor. Minimum coupon 5¼%. First callable at par after 1990. Floating rate serial notes. Fees 0.85%.
Korea Exchange Bank	£75	1994	¼	100	—	98.60	Over 3-month Libor. Minimum coupon 5⅛%. Callable at par after 1989. Redeemable at par after 1989 and 1991. Holder's option to convert into an identical dollar floating rate note at a sterling/dollar exchange rate to be fixed when terms set Nov. 27. Fees 1⅜%.
FIXED-COUPON							
Caisse Nationale de L'Énergie	$125	1995	11¾	99½	11.84	97.62	Noncallable.
Sweden	$200	1989	11½	100	11½	99.12	Noncallable.
Sweden	$100	1994	11¾	100	11¾	98.37	First callable at 101½ after 1991.
Royal Bank of Canada	£40	1991	10⅝	100	10⅝	98.20	First callable at par after 1990.
BTR Finance	DM150	1994	7⅜	100	7⅜	98.25	First callable at 102½ after 1989.
World Bank	DM200	1989	7⅛	100	7⅛	—	Noncallable private placement.
Italy	ECU60	1992	10½	100	10½	99.87	Noncallable.
Export Development Corp	C$100	1989	11½	100	11½	98.00	Callable as warrants are exercised at 101 until 1986.
Export Development Corp	0.10	1986	—	C$16	—	C$11	Exercisable at par into company's noncallable 11¼s of 1989.
Quebec	C$150	1994	12	100	12	98.12	Noncallable.
Dow Chemical Company	Y50,000	1994	7	100	7	98.62	Callable at 101 in 1990.
Sears Roebuck and Co	Y12.5,000	1991	6⅞	open	—	—1⅜	Noncallable. Price to be fixed Nov. 30.
TRW	Y15,000	1994	7	100	7	—	First callable at 101 in 1990.
New Zealand Forest Products Finance	NZ$20-30	1991	15¾	100	15¾	—	First callable at par in 1990.
EQUITY-LINKED							
Sumitomo Realty and Development	$40	1989	open	100	open	98.50	Coupon indicated at 8½%. Noncallable. Each $5,000 bond with one warrant exercisable into company's shares. Convertible at an anticipated 2½% premium. Terms to be set Nov. 26.
Tsugami	$20	2000	open	100	open	99.75	Semiannual coupon indicated at 3½%. First callable at 104 in 1987. Convertible at an anticipated 5% premium. Terms to be set Nov. 26.
Yamaichi	$20	1995	open	100	open	99.50	Coupon indicated at 3¼%. Convertible at an anticipated 5% premium. Terms to be set Nov. 30.
Yamaichi	$20	2000	open	100	open	99.50	Coupon indicated at 3¼%. Convertible at an anticipated 5% premium. Terms to be set Nov. 30.

Eastern Europe Fills Vacuum Left by Western Borrowers

By Carl Gewirtz

International Herald Tribune

PARIS — The flight of the most creditworthy borrowers from the syndicated bank credit market to the lower costs of the securities market has created a vacuum in the loan market that Eastern Europe is rushing to fill.

Last week, East Germany was able to nearly treble the size of its bank credit to $400 million from the $150 million initially indicated. At the same time, Hungary which last month launched a $250-million loan, formally closed the books with an increase to $300 million (comprising $218 million and 107.5 million European Currency Units).

SYNDICATED LOANS

Both loans run for six years and carry interest of 1 point over the London interbank offered rate. The margin would have looked enticing in any event as recent loans for top Western borrowers have been significantly lower.

But Eastern debt is oow doubly attractive because Western borrowers are not only not currently tapping the market, they are also rushing to prepay existing bank debt with lower eost fuods raised through the sale of short-term Euronotes, medium- or loog-term floating-rate notes or fixed-coupon securities. Sweden, for example, is paying back $1 billion in bank loans and Spain is prepaying $500 million of a $750-million loan arranged 17 months ago.

This is creating a famine in the credit market, which Eastern Europe is filling. Bankers expect that these borrowers will now seek to capitalize on this to force down the margins they pay.

Worth noting is the near total absence of U.S. banks. There are no U.S. banks in the loan in East Germany and only one, Irving Trust, which is a co-lead manager in the loan to Hungary.

Reflecting the scarcity of Western borrowers, IRI, the Italian state holding company, is planning to raise a 10-year loan of 300 million ECU. Interest is expected to be set at ⅜-point over the interbank rate — a level that bankers close to the planning admit is "very tight."

Not to be overlooked is the long maturity and the very long grace period of 70 months before repayment of principal is due to begin. The average maturity on Eurocredits for major Western borrowers this year is 7¾ years, according to data published by the Organization for Economic Cooperation and Development.

Pirelli, by contrast, is issuing $75 millioo (or the equivalent in ECU) in three- or six-month Euronotes. The facility will run for seven years, with banks comprising a tender panel bidding for the paper at a discount. The maximum interest rate will be ¼-point over the London interbank offered rate. Banks will earn an annual facility fee of 0.10 percent (or 10 basis points).

If the notes are not taken, Pirelli can draw on the banks directly paying a otilization fee of 20 basis points for up to one-third of the total amount, 25 basis points for up to two-thirds and 32½ basis points for more than that.

Io addition, Pirelli must meet certain financial criteria (tangible net worth, pre-tax earnings as a percentage of interest rate payments) in order to be able to draw on the facility.

From the United States, First Kentucky, a savings and loan association, is seeking $45 million through the sale of three- or six-month notes. The five-year facility will bear a maximum interest rate of ⅛-point over Libor. Banks will earn an annual fee of ⅛ percent and a front-end commission of ⅛ percent.

Denmark's Sparekassen SDS is arranging a $75-million, seven-year facility to issue three- or six-month certificates of deposit. The life of the facility may be increased to 10 years, if lenders agree. Banks will be paid an annual facility fee of 10 basis points and the maximum cost of the CDs will be a function of how much paper is sold.

Interest will be set at 15 basis points over Libor if one-third or less of the facility is used, 25 basis points for up to two-thirds and 40 basis points if more is used. The rising pricing, bankers say, is to discourage usage as the intended aim of the facility is to serve as a standby line of credit.

South Korea last week became the first Asian borrower to use the Euronote route to lower costs. The Korea Exchange Bank is seeking $150 million for five years. During the first two years it will offer short-term ootes and will pay banks an annual underwriting fee of 0.25 percent. The maximum interest on the notes is set at ¼-point over Libor sweetened by front-end fees of ⅜ percent.

After two years, banks can convert this paper ioto three-year floating-rate notes bearing interest at ¼-point over Libor. Banks converting to FRNs and then selling those ootes will at the same time be selling their underwriting commitment — freeing up their self-imposed country limit to do more business or reduce it, as the case may be.

Generating the most interest last week were Sweden's request to banks to submit bids on $200 million worth of short-term ootes (part of its $4-billion facility arranged earlier this year) and Britoil's request for bids on $35 million. The results were still not disclosed at week's end, but reliable sources said the cost of money to both borrowers would be below the London interbank bid rate, which oormally is ⅛-point below Libor.

Treasury Notes Rise on Fed Signals

By Michael Quint

New York Times Service

NEW YORK — Overt signs from the Federal Reserve that it is encouraging lower short-term interest rates has pushed up Treasury oote and bond prices.

Friday morning was the first opportunity for many market participants to react to the Federal Reserve's aoooouncemeot late Wednesday of a half-point cut in the discooot rate, the interest charge by the Fed on loans to member banks. After a burst of morning trading bowever, activity subsided and there was little reaction to the Fed's late-afternoon announcement of a $1.3-billion decline in the U.S. money supply.

This decline in the money stock was slightly greater than some had predicted and underscored the mooey supply's tendency since midyear to contract rather than grow.

Weak money-supply growth, with M-1 now slightly below the average level of June, was the first reason cited by the Fed for lowering the discount rate. The M-1 measure of money-supply growth, which includes currency in circulation, travelers checks and checking deposits, is barely above the bottom of the Fed's 4 percent to 8 percent growth target for this year.

U.S. CREDIT MARKETS

Economists worry that, with economic growth already slowing sharply from the first half of the year, recent declines in the money supply could be a harbinger of still more weakness in the economy. Some analysts, including many who were buyers of Treasury issues Friday, believe that the Federal Reserve has become more aggressive in helping reduce interest rates to spur a turnaround in money-supply growth.

"The discount rate cut was something of a leading move by the Fed," said Elliott Platt, a money-market economist at Donaldson, Lufkin & Jenrette Securides Corp. Like many other analysts, he said it was significant that the Fed cut the discount rate before the rate for overnight bank loans in the federal-funds market had fallen to 9 percent.

The funds rate, which is a benchmark for other interest rates, has fallen to about 9½ percent in the last two weeks from 11½ percent during much of August and September. Friday, however, the rate averaged slightly more than 9 percent, and many economists said the half-point cut in the discount rate would eventually pull the funds rate down to around 8¾ percent.

According to Mr. Platt, the Fed's willingness to cut the discount rate and bring down other interest rates "reflects the fact that they are very concerned with the slowdown in money-supply growth and economic statistics pointing to a serious slowdown." He added that Fed officials would uodoubtedly like to encourage some decline in the value of the U.S. dollar in foreign-exchange markets.

By late Friday, the Treasury's new 11¾-percent bonds due in 2014 were offered at 103 24-32, up more than ¾ point on the day, to yield 11.30 percent. As recently as early last Monday, the 11¾-percent bond was offered at 101 5-32 to yield 11.61 percent.

Treasury-bill rates fell Friday, despite the announcement of special auctions oext Tuesday of 17- and 45-day cash management bills. By late in the day, three-month bills were bid at 8.38 percent.

U.S. Consumer Rates
For Week Ended Nov. 23

Passbook Savings	5.50 %
Tax Exempt Bonds Bond Buyer 20-Bond Index	10.24 %
Money Market Funds Donoghue's 7-Day Average	9.30 %
Bank Money Market Accounts Bank Rate Monitor Index	9.30 %
Home Mortgage FHLB average	14.72 %

Eurobonds Rally on U.S. Rate Cut

(Continued from Page 17)

due 1990, priced at $42-$47.

• Weyerhauser, expring Oct. 15, 1987, to buy 12½-percent bonds callable in 1989, at $28-$32.

• Xerox, expiring Aug. 15, 1985, to buy 13¼-percent notes of 1987, priced at $27-$34.

The warrant-bond market has another, sadder side, namely a story of woe about the "orphan" bonds, or host issues that can be called at any time warrants are exercised. As there is no way of knowing when this paper will be redeemed, investors are unwilling to buy it, traders are unwilling to make a market and prices (educated guesstimates) are ¼- to ½-point below what similarly dated oon-callable paper for comparable credits is worth.

Given the losses underwriters who hold this paper are sitting on, it was no surprise that last week was the first since the end of September that the dollar calendar was void of issues bearing warrants to buy bonds.

What looked like the last gasp was in the Canadian dollar sector, where Export Development Corp. offered 100 million dollars of five-year, 11½-percent callable ootes with warrants, priced at 16 dollars, to buy oon-callable 11¼-percent notes of 1989. Both notes and warrants were quoted at substantial discounts from the offering prices.

Io the classic fixed-coupon market, the most exciting development last week was the effective opening of the Euroyen market. Japanese government restrictions on foreign issuers' access to this market expire Dec. 1. The terms offered — a coupon of 7 percent on 10-year bonds — were considered tight, bul bankers were nevertheless enthusiastic.

There is considerable investor demand for yen assets because the currency is seen as a sure climber on the foreign-exchange market. The large size of Dow Chemical's issue, 50 billion yen, was intimidating in terms of placing it, bankers said, bul comforting in terms that il assured there were be a liquid secondary market.

By contrast, TRW offered 15 billion yen and Sears Roebuck, in a seven-year offering carrying a coupon of 6⅞ percent, raised 12.5 billion yen. Goodyear Tire & Rubber, Allied Corp. and IBM are soon expected to tap this sector.

Crédit Suisse's London branch announced plans to market the first certificate of deposit to be denominated in Euroyen. The six-month issue of 10 billion yen will be sold in denominations of 2 millioo yen (just over $8,200), designed to appeal to individual investors.

The Bank of Tokyo's London branch said it will offer 5 billion yen of CDs on a tap basis. Maturities will run up to six months and interest will be set below the six-month interbank bid rate. These will be sold in units of 500 million yen. In addition, the Bank of Tokyo's Singapore branch will be selling 5 billion yen of CDs in the Asian market.

In the floating-rate oote market, Sweden returned for another $700 million of 20-year ootes, which investors can redeem after five years. The proceeds of this and an earlier $500-million FRN will be used to prepay the $1.2 billion of older, more expensive floating-rate paper, which bears interest at ¼-poinl over the London interbank offered rate.

Like the $500-million note, the pricing of the new offering will be open to competitive bidding. Also like the previous note, the interest rate will be fixed at the London interbank bid rate, which normally is ⅛-point below Libor.

In moving the base rate to Libid, Sweden is not only trying to reduce its actual cost of money but also its exposure to shocks in case of an international financial crisis. In the past, such shocks have resulted in a temporary widening of the bid-offered rate and any coupon setting based on Libor in such circumstances would be costly for a borrower.

But using the bid rate as its base risks alienating potential customers who have a need to match their Libor funding base with Libor income. To accommodate such customers, lead manager Morgan Guaranty Trust is offering to sell, for $70 each, five-year income rights which effectively produce a yield of 1/16-point over Libor on the FRN. The $70 will be invested to produce a stream of income to enable Sweden to pay 3/16 percent, based on a notional amount of $10,000.

The five-year life of the income rights coincides with the five-year put option investors have to request redemption. After five years, Sweden can repeat the offer or drop it, and bolders can retain their paper or request redemption.

U.S. Tying Foreign Aid to Exports

(Continued from Page 17)

ey out of the aid buckets set aside for development purposes in poor countries," he said.

By offering mixed credits, the Reagan administratioo says it hopes to demonstrate that it is in everyone's interest to negotiate restrictions on mixed credits.

Since the late 1970s these credits have expanded rapidly. A few years ago, only a handful of countries offered such loans; since then Argentina, Australia, Austria, Belgium, Britain, Canada, Denmark, Finland, France, Italy, Japan, the Netherlands, Spain, Sweden, and West Germany have adopted them.

In the case of Botswana, the Export-Import Bank offered a loan at 11.9-percent interest to buy about $25 million worth of U.S. locomotives. But the Agency for International Development allocated $4.2 million of its normal aid money to make the transaction more attractive. Botswana has not yet chosen among the bids.

Although the Reagan administration has been reluctant to grant mixed credits, exporters and Congress have been less reticent.

A survey by the Coalition for Employment Through Exports, in Washington, found thal 20 of its member companies passed up projects worth a total of $7 billion because they believed export financing was unavailable or uncompetitive.

Alarmed at a loss of U.S. exports, and jobs, Congress intervened. A year ago it passed legislatioo obliging the Ageoey for International Development and the Export-Import Bank to compete with foreign mixed credits. The Botswana offer is the first under that legislation. And there is talk in Congress of establishing a fund of about $200 million to finance mixed credits, for use only to match offers by competitors.

Although the United States has particularly criticized France for issuing mixed credits, the French express equal exasperation with the United States.

"By mixing our money with export financing, we can increase the amount we make available to developing countries," said Regis Telaroullière, a French financial officer in Washington. He stressed that France's mixed credits represented extra money that would not otherwise go to foreign aid.

Although France and Italy remain unapologetie sobsidizers, some European countries are reportedly becoming nervous. The British Treasury has warned thal mixed credits could cost it $1 billion over the next two or three years, while contributing little to the economy, aiding some sectors and hurting others.

Axel Wallen, head of Sweden's export credit agency and chairman of the multilateral negotiation committee, said be did not know if next month's talks would succeed. Mr. Wallen added that the discussions would focus on "transparency" — making subsidies visible and measurable — and on prohibiting small injections of aid to sweeten export financing.

The Organization for Economic Cooperation and Development now prohibits the aid element of a mixed credit from being less than 20 percent. The United States will push at the Paris meeting to raise that figure to 50 percent.

"The rise makes it less likely that the money will be used for commercial purposes, because it makes it more expensive," Mr. Wallen said. In other words, to offer a mixed credit, an exporting country must provide substantial aid if it offers any at all.

Schering Sees 50% Jump in Net

Reuters

BERLIN — Schering AG expects 1984 group net to rise 50 percent, to 120 million Deutsche marks ($40.1 million) from 80 million DM in 1983, the managing board chairman, Klaus Pohle, said Sunday. Sales are expected to rise 13 percent, to 4.9 billion DM from 4.3 billion DM, he added.

He attributed part of the rise in earnings to the mark's weakness against the dollar and the yen.

Group sales io the first 10 months of 1984 rose 15 percent from the year-earlier period to 3.99 billion DM, Mr. Pohle said.

Over-the-Counter

X

XidMag			39	13½	13½	13½

Y

YBear g	.12		126	7⅜	7⅜	7⅜	
YorkFd	.10e	.9	15	11	11	11	

Z

ZenNtl	.68	6.0	315	11½	11¼	11¼	— ¼
Zycad			1013	11	10	10⅛	+ ⅛
Zygo			29	6	6	6	

Consolidated Trading Of AMEX Listing

Week ended Nov. 23

	Sales	High	Low	Last	Ch'ge
TIE	2,456,900	7¼	5⅞	6⅝	-⅝
WangB	930,100	28	26⅞	27⅝	+⅞
DataPd	787,000	16½	14	16⅞	-1⅜
DomeP	709,900	3	1⅝		+⅛
Unimr	545,100	10⅝	9⅞	10½	+⅜
PrenN	529,300	71⅞	70⅝	71¼	-½
BAT	451,700	3½	3⅛		-⅛
AM Intl	444,700	2⅝	2⅛	2⅝	
EchoB	301,200	11⅛	10½	10⅞	+⅛
ChmpH	286,000	3⅜	3¼	3½	+⅛

Volume: 22,670,000 shares
Year to Date: 1,365,810,000 shares
Issues traded in: 891
Advances: 322 ; declines: 412
Unchanged: 157
New Highs: 14 ; new lows: 82

Consolidated Trading Of NYSE Listing

Week ended Nov. 23

	Sales	High	Low	Last	Ch'ge
IBM	4,327,100	22⅜	19½	22⅜	+1⅛
BaxtTr	4,123,100	13⅛	12¼	13	-⅜
Chryslr	3,341,200	28½	25¼	28⅝	+⅜
HewlPk	3,162,800	33⅝	31⅜	33½	+¼
AmExp	2,736,100	37½	34⅜	37⅜	+2⅝
Sears	2,736,100	32½	20	32½	+2¼
DomRs	2,725,900	28⅝	27⅝	27⅜	+¼
FordMt	2,687,800	46⅝	43⅜	46⅝	+1⅛
Exxon	2,641,200	44	43⅛	43⅞	+⅜
AMR	2,608,900	33½	29¾	33⅛	+3⅜
IntHarv	2,602,300	8⅝	7½	8¼	+1⅛
AT&T	2,564,700	19	18⅝	18⅞	+¼
PhlbrS	2,475,200	32⅝	30	32⅜	+1⅜
Motrla	2,451,900	34⅜	32	32⅜	-1⅜
GMot	2,313,500	77⅜	73⅜	77¼	+2½
GenEl	2,186,300	58⅛	56⅜	57½	+1⅛
JohnJn	2,173,300	36½	33⅞	36½	+3⅜
PhilPet	2,171,800	43½	41⅝	42⅜	-1½
FlaPL	2,099,300	45	44	45	+¾
SouthCo	2,032,300	18½	17¾	18⅜	+½

Issues Traded in: 2,218
Advances: 1,140 ; declines: 796
unchanged: 282
New highs: 76 ; new lows: 96

Volume

This week	308,500,000 shares
Last week	364,010,000 shares
1983 same week	381,190,000 shares
1984 to date	20,878,633,563 shares
1983 to date	19,444,240,000 shares
1982 to date	14,623,450,000 shares

Treasury Bills

Due	Bid	Ask	Yld
11-29	7.63	7.51	7.42
12- 6	7.13	7.04	7.15
12-13	7.30	7.24	7.36
12-20	7.47	7.39	7.53
12-32	7.58	7.50	7.65
-1985-			
1- 3	7.92	7.80	7.97
1-10	8.20	8.12	8.32
1-17	8.51	8.43	8.65
1-24	8.46	8.40	8.63
1-31	8.31	8.23	8.47
2- 7	8.41	8.31	8.57
2-14	8.43	8.37	8.65
2-21	8.44	8.40	8.69
2-28	8.40	8.34	8.64
3- 7	8.40	8.34	8.66
3-14	8.42	8.36	8.69
3-21	8.47	8.36	8.71
3-28	8.38	8.32	8.68
4- 4	8.42	8.34	8.71
4-11	8.43	8.35	8.74
4-18	8.45	8.39	8.80
4-25	8.43	8.37	8.79
5- 2	8.45	8.39	8.83
5- 9	8.48	8.42	8.88
5-16	8.46	8.40	8.87
5-23	8.45	8.41	8.89
6-13	8.46	8.40	8.90
7-11	8.50	8.44	8.96
8- 0	8.57	8.51	9.06
9-85	8.60	8.52	9.11
10- 3	8.66	8.60	9.24
10-31	8.67	8.63	9.32

Source - Federal Reserve Bank.

Kredietlux Indices Nov. 23

(Base 100 May 1, 1977)

Industrials, US $ L.T.	90.682
Int'l Institutions US $ L.T.	95.438
US $ medium term	101.967
Canadian $ medium term	102.841
ECU medium term	104.817
UC 9	91.171
DM	99.004
Guilders	102.946
FF short term	121.859
F Lux	101.483
Int'l Inst. F Lux medium term	105.586
F Lux medium term	102.835
Int'l Inst. Yen long term	103.228
ECU short term	191.714
ECU long term	105.156

EC Inflation Figures Show a Monthly Rise

The Associated Press

BRUSSELS — Consumer prices in the 10 countries of the European Community rose 0.8 percent in October from a month earlier, when prices increased 0.5 percent, the EC's statistical service, Eurostat, reported Friday.

For the 12 months ended in October, EC consumer prices rose 6.7 percent, compared with an 8.4-percent rise in the comparable period a year earlier.

China Boosts Vehicle Output

Agence France-Presse

HONG KONG — China's car and truck makers produced 254,100 vehicles in the first 10 months of this year, 5 percent more than the year-earlier total, Xinhua, the China news agency, reported Sunday.

American Exchange Options

For the Week Ending Nov. 23, 1984

NASDAQ National Market

	Sales in 100s	High	Low	Close	Net Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. State Bond Issuers Turn to Foreign Banks

By Nicholas D. Kristof
New York Times Service

NEW YORK — When Findlay, Ohio, needed to expand the water treatment plant that serves its 36,000 residents, the city decided to get a letter of credit from a bank to back its $19.4-million bond issue.

Instead of choosing a New York bank or an Ohio bank, however, Findlay turned to Dai-Ichi Kangyo Bank. Although few Findlay officials had ever heard of the bank, which is Japan's largest, the city council selected it because it charged only three-tenths of 1 percent of the principal. That was less than half what U.S. rivals wanted.

Moreover, Dai-Ichi Kangyo has an AAA rating from Moody's Investors Service. That top-of-the-line credit rating, which only a few U.S. banks enjoy, means that Findlay will pay slightly less interest.

For the same reasons — lower cost and higher ratings — many other issuers of municipal bonds and notes also are turning to foreign banks, especially Japanese banks. Mitsubishi Bank may have been the first to enter the scene when, in the fall of 1982, it provided a letter of credit for a Michigan state bond issue. Since then, foreign letters have grown in popularity.

"It's not throat-cutting, a kind of dumping — it's supply meeting demand," said Junji Hara, who is reponsible for issuing letters of credit at Japan's Sanwa Bank in New York.

"It's just amazing," said David M. Brownstein, a vice president of Erlich-Bober & Co., a New York underwriter. "I've been on the phone all day with foreign banks. They're in a real rush to get in by the end of the year." New federal limits on industrial development bonds will come into effect Jan. 1, Mr. Brownstein explained.

Notwithstanding these minor changes in the law, bankers expect 1985 to be a banner year for foreign banks issuing letters of credit. Sumitomo Bank of Japan issued its first such letter on Aug. 3, 1984, and 10 others since then.

Expected protests to "buy American" have been few. However in Chicago, some citizens objected last February and March to a letter provided by Mitsubishi Bank, according to Chicago's controller, Walter Knorr.

Findlay's auditor, Ruth Stalter, said: "This is a conservative town, and I wondered if there would be severe criticism. But I haven't heard of any."

Letters of credit are used to guarantee a bond issue. The bank confirms that, if the city defaults on the bonds, the bank will pick up the tab. Because the bonds are more secure, the city pays less interest.

For this service, banks charge a fee that typically had been three-quarters of 1 percent or more. But rates are plummeting as foreign banks ask only about one-quarter of 1 percent. When Williams College, in Williamstown, Massachusetts, floated a $22.8-million issue this fall to finance building projects, it chose Sumitomo Bank and paid only one-eighth of 1 percent.

"Their fee was by far the least expensive for the college; the gap was a quarter of a point," said William S. Reed, the college's treasurer.

The Cleveland school district is also benefiting from the new competition. Last year it paid two-thirds of 1 percent to Marine Midland Bank for a letter of credit. This year's bidding — by foreign banks only — is in the range of two-tenths to three-eighths of 1 percent, according to Paul Yacobian, the school district's treasurer.

"U.S. banks are very selective about issuing letters of credit because they're concerned about ratings," said Mr. Hara of Sanwa Bank, explaining how foreign banks can charge so little. "Unless it is very lucrative business, they are reluctant to issue a letter. So I think we have an advantage over the money-center banks. We have about $6 billion in contingent liabilities, while I think the money-center banks have two or three times as much."

Some foreign banks may slash prices to get business, according to Masanari Ebihara, assistant general manager of Dai-Ichi Kangyo Bank in New York. "But my feeling is that the banks are becoming more selective. We find our name is well known in the market now," he added.

Although some U.S. banks are reportedly upset about the foreign competition, many say they already are so near capacity in letters of credit that they are not alarmed. "Our bank views these banks less as competition than as someone we're pleased to work with," said Kathryn A. Brewer, a vice president of First National Bank of Minneapolis.

The U.S. banks have poorer ratings than the Japanese banks largely because of their greater exposure to Latin America and other debtors in the Third World.

Although most of the competition has come from Japanese banks, institutions based in Britain, Switzerland, France and Canada also have been involved.

Europeans Sell Reactor Fuel to U.S.

(Continued from Page 17)
gy Department. Urenco argues that its new centrifuge technology is inherently cheaper than the gas diffusion process favored by the U.S. Energy Department and Eurodif.

"Opportunities for non-U.S. enrichers, like Eurodif and Urenco, are now arising in the U.S. as a result of the DOE's new utility services contract," Nukem GmbH, a West German nuclear services company, wrote in its latest survey of the nuclear-fuels market.

The Energy Department agreed last January to relax significantly the terms on which it supplies lightly enriched uranium fuel to U.S. and foreign reactor operators. The change came in response to growing complaints from U.S. utilities about the department's high prices and rigid contract procedures.

The department cut the price of its fuel by $15, to around $135 per "separative work unit," or SWU. The SWU is the standard used for measuring the amount of work done in the process of uranium enrichment. Enrichment increases the percentage of usable uranium isotopes in the fuel. Generally, the more SWU's, the more enrichment and the higher cost.

The department also gave all its clients, both U.S. and foreign, the right to switch over by Oct. 1 to a new and more flexible kind of contract. In certain circumstances, this new contract obliges clients to buy only 70 percent of their fuel requirements from the agency, leaving them free to obtain the remaining 30 percent from foreign suppliers.

Of the 48 U.S. utility companies operating nuclear power reactors, 26 have now signed new contracts with the Energy Department covering all of their anticipated fuel needs for the next 10 years.

But 17 decided to limit their purchases from the agency to 70 percent of their need. The other five utility companies refused to change their existing contracts, which suggests to the Europeans that they probably plan to let their existing contracts expire and switch to foreign suppliers.

Nukem's U.S. representative, Gunther Lurf, reckons that after making allowances for individual companies' differing requirements, the Energy Department will continue to supply about 83 percent of the U.S. nuclear-power industry's fuel needs. But the remaining 17 percent of the market, equal to about 1.7 million SWUs, will be available for foreign suppliers, he says.

Assuming a price of about $100 per SWU, which is roughly what Eurodif and Urenco are believed to be charging, Mr. Lurf evaluates the potential U.S market for European enrichers at some $170 million over the next decade. Jean-Pierre Rougeau, sales director of Cogema, the French government-owned nuclear services supplier that holds a 51.5-percent stake in Eurodif, puts it only a shade lower, at about $150 million.

In addition, European enrichers have been made more available by a slowdown in the nuclear market in Europe. Iran canceled its nuclear program after the overthrow of the shah, and Spanish, Italian and French programs have fallen behind schedule.

Sugar Producers, Consumers Reach New Agreement

Reuters

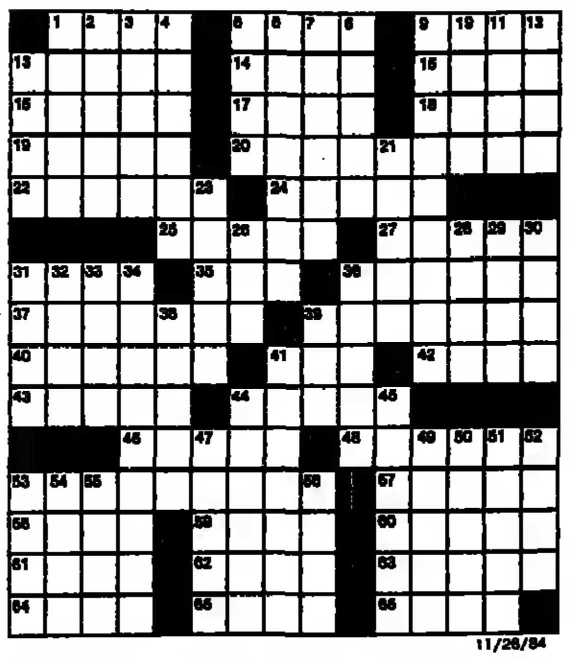
LONDON — Sugar producing and consuming countries have agreed on a new international sugar accord to replace the one that expires at the end of this year.

Unlike its predecessor, however, the new accord will be largely an administrative agreement.

The agreement, which emerged Friday at the end of five days of talks at the headquarters of the International Sugar Organization, provides no mandate to bolster prices by requesting exporters to limit shipments.

Its main function will be to provide a meeting place for major sugar importers and exporters.

The current agreement, which has been in force since 1978, failed to prevent world prices from falling to their lowest levels in 13 years. It was also undermined by growing exports from the European Community, which is not a member of the existing accord.



11/26/84

ACROSS

1 Box
5 Team
9 Pod dwellers
13 Herb native to Egypt
14 Enmity
15 Split
16 Baby's ailment
17 Dueling sword
18 Kind of horse or curtain
19 Swap
20 Heavens
22 Pressure
24 Follow
25 Seed
27 Sketch
31 One of the three B's
35 Bwys.
36 Apt
37 Twined together
39 Infant footwear
40 Salt or flour, e.g.
41 Encountered
42 French state
43 Fla. port or bay
44 Scamp
46 Acquire, as a debt
48 Sleek
53 Hillbilly beverage
57 Fanfare
58 Efficient
59 One
60 1.0567 quarts
61 Garb
62 A shelter
63 Levels
64 Word of sorrow
65 Brink
66 Darn

DOWN

1 Show contempt
2 Hairy
3 Stage whisper
4 Alcove
5 Cuisinier
6 Thrusting swords
7 Forever: Poetic
8 Bandleader Ted
9 Economic factor
10 Ireland, to a Gael
11 Bard's river
12 Transmitted
13 Performs
21 Of sound in a telecast
23 Carousal
26 Eccentric
28 Countenance
29 Type of circus or market
30 Examine
31 Vanquish
32 Pilaster
33 A mollusk
34 Delight
36 Yoga position
38 Cliques
39 Entreat
41 Cockcrow
44 Broken or bankrupt
45 Badge
47 Slide
49 Martini garnish
50 Of a cereal
51 Tenor
52 Possessive pronoun
53 —— Hari
54 Ancient Greek coin
55 Actress Petrova
56 Diminutive suffix

© New York Times, edited by Eugene Maleska.

DENNIS THE MENACE

"JUST REMEMBER, MR. WILSON... SOMEDAY I'M GONNA GROW UP AN' BE BIG 'N' CRANKY, TOO!"

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

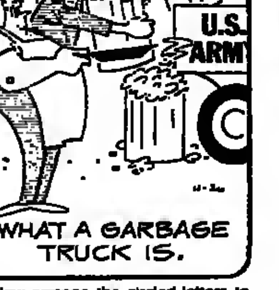
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

VOLEH

NISOB

CAMEZE

URBBUS



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: A ( ) "( )"

(Answers tomorrow)

Friday's | Jumbles: VIRUS EXCEL LOTION PIRATE
Answer: What an alibi usually is—A "SLIP" COVER

WEATHER

EUROPE	High C	High F	Low C	Low F	
Algarve	19	66	10	50	o
Amsterdam	12	54	9	48	cl
Athens	22	72	11	52	cl
Barcelona	20	68	8	46	cl
Belgrade	15	59	9	48	o
Berlin	13	55	7	45	o
Brussels	12	54	9	48	sh
Bucharest	16	61	9	48	cl
Budapest	16	61	8	46	cl
Copenhagen	10	50	5	41	cl
Costa Del Sol	20	68	9	48	fr
Dublin	9	48	5	41	cl
Edinburgh	9	48	7	45	o
Florence	21	70	7	45	fr
Frankfurt	13	55	9	48	cl
Geneva	12	54	5	41	o
Helsinki	0	32	-3	27	sn
Istanbul	18	64	13	55	cl
Las Palmas	27	81	16	61	cl
Lisbon	18	64	11	52	o
London	12	54	7	45	r
Madrid	14	57	8	46	cl
Milan	10	50	4	39	fo
Moscow	3	37	1	34	sn
Munich	14	57	7	45	cl
Nice	21	70	10	50	fr
Oslo	4	39	1	34	r
Paris	14	57	10	50	o
Prague	13	55	8	46	o
Reykjavik	1	34	-2	28	r
Rome	21	70	11	52	o
Stockholm	7	45	1	34	r
Strasbourg	13	55	10	50	o
Venice	14	57	5	41	fr
Vienna	15	59	11	52	o
Warsaw	9	48	6	43	cl
Zurich	13	55	6	43	o

MIDDLE EAST	High C	High F	Low C	Low F	
Ankara	14	57	-2	28	cl
Beirut	24	75	14	57	fr
Damascus	21	70	2	36	fr
Jerusalem	17	63	9	48	cl
Tel Aviv	18	64	12	54	cl

OCEANIA	High C	High F	Low C	Low F	
Auckland	23	73	16	61	fr
Sydney	24	75	16	61	fr

ASIA	High C	High F	Low C	Low F	
Bangkok	28	82	20	68	fr
Beijing	7	45	-6	21	fr
Hong Kong	24	75	17	63	fr
Manila	32	90	24	75	cl
New Delhi	23	73	10	50	fr
Seoul	12	54	0	32	fr
Shanghai	17	63	6	43	fr
Singapore	31	88	24	75	o
Taipei	23	73	17	63	o
Tokyo	14	57	10	50	cl

AFRICA	High C	High F	Low C	Low F	
Algiers	22	73	8	46	cl
Cairo	24	75	13	55	fr
Cape Town	23	73	13	55	fr
Casablanca	27	81	13	55	fr
Harare	25	77	18	64	cl
Lagos	30	86	24	75	o
Nairobi	24	75	14	57	cl
Tunis	23	73	11	52	cl

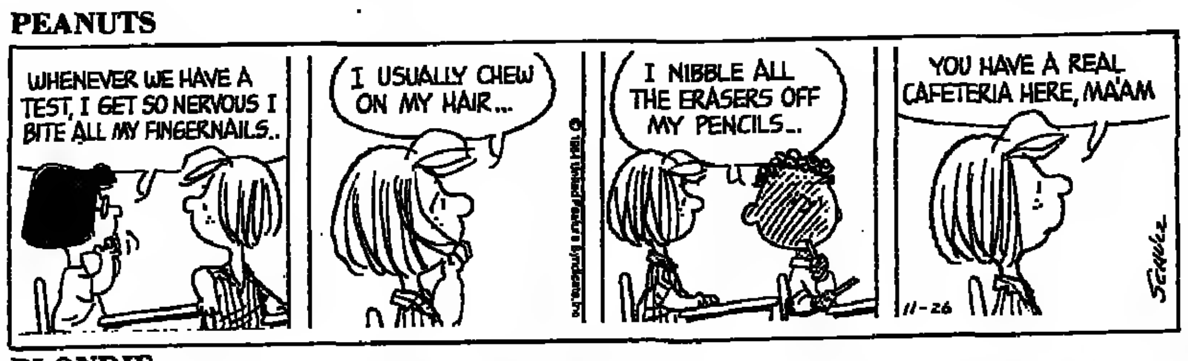
LATIN AMERICA	High C	High F	Low C	Low F	
Buenos Aires	27	81	14	57	fr
Lima	23	72	17	63	o
Mexico City	20	68	4	39	pc
Rio de Janeiro	35	95	24	75	o
Sao Paulo	—	—	—	—	na

NORTH AMERICA	High C	High F	Low C	Low F	
Anchorage	-4	25	-7	19	sn
Atlanta	20	68	0	32	pc
Boston	11	52	1	34	fr
Chicago	16	61	2	36	pc
Denver	5	41	-3	26	cl
Detroit	14	57	-1	30	fr
Honolulu	29	84	22	72	fr
Houston	19	66	10	50	pc
Los Angeles	17	63	9	48	pc
Miami	25	77	18	64	pc
Minneapolis	10	50	5	41	pc
Montreal	23	73	4	39	pc
Nassau	27	81	21	70	pc
New York	18	64	2	36	fr
San Francisco	14	57	9	48	cl
Seattle	6	43	1	34	sh
Toronto	8	46	-1	30	fr
Washington	18	64	-1	30	fr

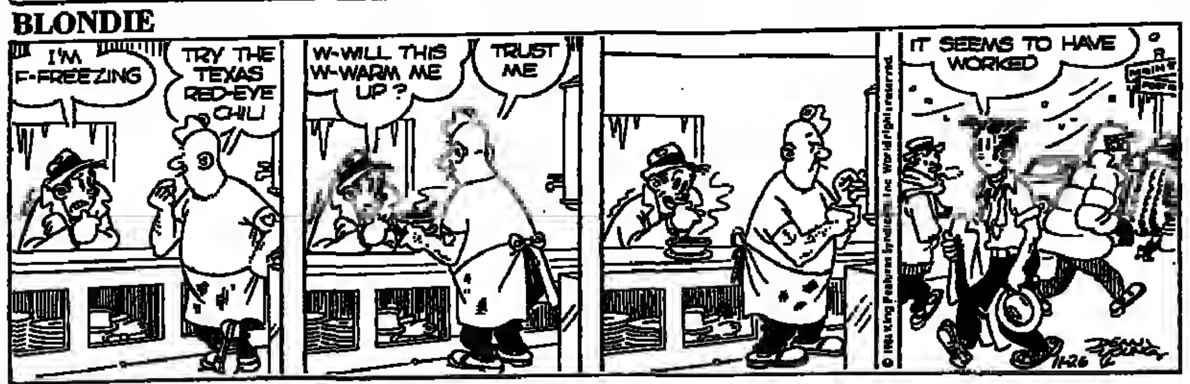
cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Moderate. FRANKFURT: Rain. Temp. [illegible]. LONDON: Showers. Temp. [illegible]. MADRID: [illegible]. PARIS: Partly cloudy. [illegible]. TEL AVIV: Fair. [illegible]. ZURICH: Cloudy. [illegible]. HONG KONG: [illegible]. MANILA: Fair. Temp. 31—22 [illegible]. SEOUL: [illegible]. SINGAPORE: Thunderstorms. [illegible]. TOKYO: Fair. Temp. [illegible].

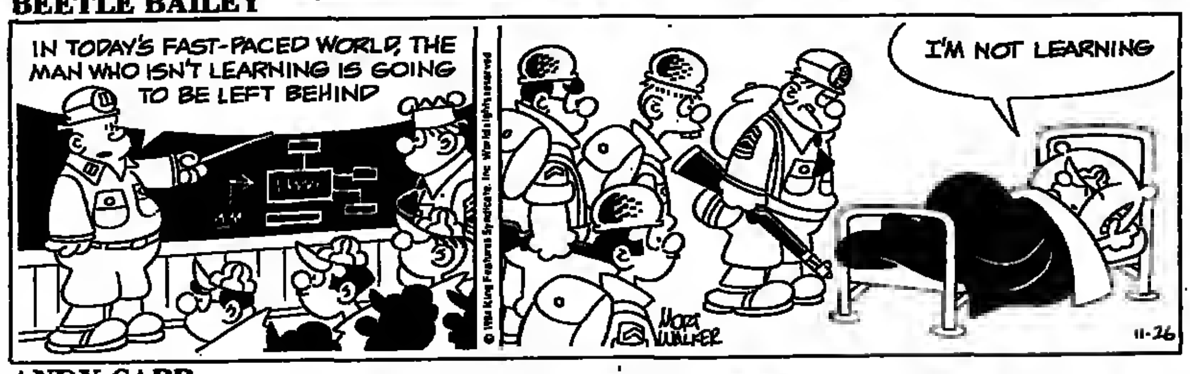
PEANUTS



BLONDIE

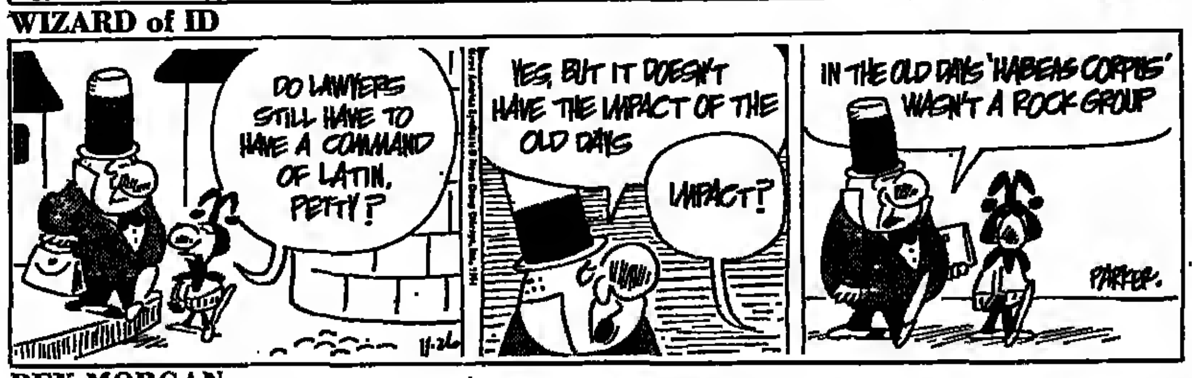


BEETLE BAILEY



ANDY CAPP

WIZARD of ID



REX MORGAN

GARFIELD

BOOKS

HOW DEMOCRACIES PERISH.

By Jean-François Revel. 376 pages. $17.95. Doubleday, 245 Park Ave, New York, N.Y. 10167.

Reviewed by John Gross

ONCE upon a time French writing was renowned for clarity, logic, the elegant exposition of ideas. "If it isn't clear," the saying went, "it isn't French." With existentialism, structuralism and the other "isms" that have flourished since World War II, all that has changed, and the reigning pundits of Paris have shown themselves at least as adept at jargon and obfuscation as anyone else. But some French writers have nonetheless continued to practice the traditional French virtues, and among these Jean-François Revel occupies a distinguished place.

Revel is not only formidable in argument, but wide-ranging in his interests; he has written with equal verve on the history of philosophy and the history of cooking, on Italy and Proust. He has increasingly concentrated on politics, and since the death of Raymond Aron he has few equals among his countrymen as a trenchant commentator on current affairs.

"How Democracies Perish" takes up where his last political study, "The Totalitarian Temptation," left off. He addresses himself again to the problem of communism, but this time the emphasis is less on the Communist challenge than on the democratic response. If his tone is more urgent, it is because he believes that the deepest danger to democracy is that it will acquiesce in its own defeat.

"Democratic civilization," he writes, "is the first in history to blame itself because another power is working to destroy it," and much of his book consists of an incisive analysis of "the blame industry" and how it operates. "Not only do the democracies today blame themselves for sins they have not committed, but they have formed the habit of judging themselves by ideals so inaccessible that the defendants are automatically guilty." We thus go halfway to meet the Soviet verdict; the guiltier we feel, the stronger the presumption that our opponents must somehow be innocent.

True, the Communists have made it clear, in word and deed, what their long-term intentions are. But though we are taught lessons, Revel argues, we oever learn them. We would rather believe Commmunist propaganda than "genuinely revealing doctrinal statements," and we comfort ourselves with childish myths — that the Russians "respect the status quo," that personal contacts between leaders are bound to improve East-West relations, above all that the Soviet Union only poses a threat when it believes that it is being attacked.

"Reduced to its essence," Revel writes, "the advice the Communists lavish on humanity is to avoid resisting their offensives." The writings of Communist leaders make it quite clear that war is central to their ideological system, and in mounting peace campaigns they "deserve credit for their endurance in defending year after year, a cause they do not believe in."

Lenin grasped the advantages of preaching pacifism as early as the Genoa conference of 1922; here, as elsewhere, Revel reminds us that Communist techniques have a longer history than most people realize. The pretexts dished out as an excuse for invading Afghanistan in 1979, for instance, were the same as those used for annexing Georgia in 1921.

Who remembers such things? But then who remembers much more recent events, such as the mass exterminations carried out in Equatorial Guinea in the 1970s by a dictator, Francisco Macias Nguema, who was surrounded by Soviet advisers? Well, Revel does, and he has no intention of letting us forget atrocities that we would never hear the end of if they could be blamed on the West.

Double standards provide him with one of his most constant themes. So does bad history, when it is used to serve as a political alibi. The legend that Europe was "divided up" between the superpowers at Yalta in 1945 is a case in point. In fact, it was oot until Helsinki 30 years later that the West formally recognized the Soviet Union's postwar colonial gains, but it would have been embarrassing to admit as much. So why not iovoke Yalta, or what is supposed to have been agreed to at Yalta? "Capitulating because we respect a contract is more honorable than surrendering to a violation of that contract. And if there is no contract, we invent one."

The generalizations of "How Democracies Perish" are almost invariably backed up by chapter and verse, and in assembling his evidence Revel spreads out a rich banquet of folly — but one that leaves a bitter taste. There is the French government, for example, suddenly growing nervous (not without some prompting from the Sakharov Committee and a few others) that the building of the trans-Siberian pipeline, for which it was supplying equipment, might involve the use of slave labor, and solemnly instructing its ambassador in Moscow to "investigate" the situation. It was not an investigation that got very far.

Some readers may object that, in a world where Ronald Reagan has just been re-elected by a landslide, Revel, for all his brilliance, is bringing coals to Newcastle. And so he might be, if the Reagan administration were in power indefinitely, if it pursued its long-term goals as single-mindedly as the Kremlin does, if it suppressed internal opposition as thoroughly, if it dominated its allies as ruthlessly as the Soviet Union dominates its satellites — in other words, if neither the United States nor its partners were democracies. But as long as they are democracies, Revel's warnings are ones that it would be very foolish to ignore.

John Gross is on the staff of The New York Times.

Solution to Friday's Puzzle

SOLAR REAP AMES
EDILE ELSA RANT
REMIT TEEN AGEE
FANFARONADE ORR
IOLA OREGON
STAPLED TRIS
CARESS BOASTERS
AILE PAW ELOY
BLOWHARD APEMAN
EELY ANEMONE
ASPERA ANON
OEE BRAGGADOCIO
OPEN MEAL AMARA
ROVE ERIE NEVER
NYET DONS TRESS

11/24/84

BRIDGE

By Alan Truscott

ON the diagramed deal, North-South climbed to six hearts. They use a canapé style, accounting for the short-suit one-heart opening. Five hearts asked North to continue if his trumps were good, and one might think that he would have rejected the invitation.

Against the shaky six-heart contract West led the spade ace. This was apparently favorable for South, since it established dummy's king, but the loss of an entry to the South hand was the important point.

The cognoscenti felt that South could not do better than pin his hopes on finessing the diamood jack. This would have failed in practice, and North-South would have lost the match. But South made a decision that was wrong in theory but right in practice. He ruffed, cashed two top trumps and followed with the ace and king of diamonds.

When the diamond queen fell, South was happy. He continued diamonds and had 12 tricks. If the diamond queen had not fallen he planned to finesse in clubs with the idea of discarding dummy's remaining diamond. However, that play was quite unlikely to bring home the slam.

East-West had rested safely in game, and lost 13 points and the match.

NORTH
♠ K 9 8 5 3
♡ A 7 4 2
◇ K 6 5
♣ 9

WEST
♠ A 7
♡ Q 9 3
◇ Q 10
♣ 8 7 6 4 3 2

EAST
♠ Q J 10 6 4 2
♡ J 10
◇ 8 4 2
♣ K 10

SOUTH (D)
♠ —
♡ K 8 6 5
◇ A J 9 7 3
♣ A Q J 5

North and South were vulnerable.
The bidding:

South	West	North	East
1 ♡	Pass	1 ♠	Pass
3 ◇	Pass	3 ♡	Pass
5 ♡	Pass	6 ♡	Pass
Pass	Pass		

West led the spade ace.

SPORTS BRIEFS

Bulgarian Lifter Suleimanov Sets 3 Records

SARAJEVO, Yugoslavia (AP) — Naim Suleimanov of Bulgaria set three world weightlifting records in the 60-kilogram class at a competition here Saturday.

He first lifted 140.5 kilograms (309.1 pounds), improving the world mark of Bulgarian Stefan Topurov by half a kilo. Minutes later, he improved on that by lifting 142.5 kilos. Suleimanov also hefted 185.5 kilos in the clean and jerk, setting a world mark in that phase and in the biathlon with a total of 328 kilos.

Australians Humble Welsh in Rugby, 28-9

CARDIFF, Wales (Combined Dispatches) — Australia stunned the British rugby community by thrashing Wales Saturday, 28-9. It scored four tries, three conversions and two penalty goals, and its third try came by the supreme humiliation of a scrum pushover. It was the heaviest Welsh home defeat by a touring team since major tours began in 1905.

Following predictable defeats of England (19-3) and Ireland (16-9), and with Scotland yet to play on Dec. 8, the Wallabies had agreed that Wales should prove the hardest hurdle on their way to a first-ever Australian sweep of four tests on a British Isles tour. But they took command with a 13-0 lead in Saturday's first half-hour and spent most of the game deep in Welsh territory.

After fullback Roger Gould's first penalty goal, Gould and wing Peter Grigg sent hooker Tom Lawton across for a try. A run down the left by wing David Campese and slick passing infield led to a try for center Michael Lynagh. A penalty by Welsh fullback Mark Wyatt made it 13-3 at halftime.

After Gould converted the pushover try, credited to No. 8 Steve Tuynman, and kicked his second penalty, new Welsh scrumhalf David Bishop took an inside pass from wing Mark Titley and juggled successfully with the ball as he dove over for a consolation try that Wyatt converted. Flyhalf Mark Ella scored on an interception from Welsh No. 8 Peter Butler, and Gould converted.

Australia's nine tries (with only one against) in the first three tests ranks with old-time tour feats by great New Zealand and South African teams. *(UPI, IHT)*

Track Group Confirms Lifetime Bans for 6

CANBERRA, Australia (UPI) — The International Amateur Athletic Federation on Sunday confirmed life bans on six athletes for drug infractions.

The IAAF announced the disqualifications of runner Tatyana Kazankina of the Soviet Union, Al Shademium of the United States, Martti Vaino of Finland and Anna Verouli, Cleanthis Ierissiotis and Dimitris Delizfotis of Greece. The bans can be appealed, but the athletes face a minimum 18-month suspension regardless.

The IAAF also reviewed the womens' 100-meter hurdles final at the 1984 Los Angeles Olympics and awarded a bronze medal to France's Michèle Chardonnet. The federation said photographs showed she had tied for third place with American Kim Turner.

Big-League Baseball Attendance Fell in '84

NEW YORK (AP) — Regular-season attendance at major-league baseball games declined in 1984 by 1.8 percent — more than 800,000 people, compared with the record figures of 1983, the commissioner's office said Saturday. Attendance last season was 44,739,157, compared with 45,540,338 in 1983. Overall, attendance is up 50 percent since 1975.

Islanders Defeat Sabres, Thwart Bowman

United Press International

UNIONDALE, New York — Scotty Bowman, his Buffalo Sabres failing for the fourth straight game to tie him for the National Hockey League record for most coaching victories, attributed the New York Islanders' 6-3 victory here Saturday to lack of scoring and poor goaltending.

Mike Bossy tallied once and had three assists and Duane Sutter had two goals in extending the Islanders' unbeaten streak to seven games (6-0-1), preventing Bowman from tying Dick Irvin's 690 victories with the Montreal Canadiens. Buffalo dropped its fourth straight game; its road record is 1-9-1.

NHL FOCUS

Meanwhile, it was Chicago 2, Boston 1; Quebec 8, the New York Rangers 3; Montreal 6, Detroit 4; New Jersey 5, Pittsburgh 3; Minnesota 4, Toronto 2; Edmonton 7, St. Louis 6; Winnipeg 9, Los Angeles 5; and Philadelphia and Hartford skated to a 4-4 tie.

On Friday it was Philadelphia 4, Buffalo 2; the Islanders 5, Washington 1; Minnesota 5, New Jersey 4 in overtime; Detroit 6, Toronto 5; St. Louis 3, Calgary 1, and Winnipeg 5, Vancouver 1.

"I want to get it over with," Bowman said of the record. But he was more concerned with the Sabres' goaltending and scoring deficiencies. "We have three games next week and I am going to get Tom Barasso into some of them. Our goalkeeping [from Bob Sauve] hasn't been that good," he said.

"And when I tried to juice up the attack by using Buddy Cloutier with a couple of the other guys" — Phil Housley and Gil Perreault — "the Islanders scored."

Mike Foligno scored twice for the Sabres, including the opening goal of the game at 11:57 of the first period, when he put a backhander past goalie Billy Smith.

But then Bossy went to work, passing cross-ice on a power play to Stefan Persson, who shot from the top of the right face-off circle and beat Sauve at 16:02. Less than a minute later, Greg Gilbert stole the puck from Hannu Virta at the Buffalo blue line and put Bossy in on a semi-breakaway, which he converted into a 2-1 lead.

At 3:43 of the second period, after an advance by Denis Potvin, Bossy threw the puck behind the Buffalo net. When Sauve came out to handle it, Bryan Trottier beat him to the puck and skated around the empty net for an easy wrap-around goal. Twenty seconds later, Trottier and Bossy set up Paul Boutilier for a 45-footer that beat Sauve on his far side for a 4-1 Islander lead.

Bossy, whose 25 goals lead the NHL, said, "I thought the four-day layoff over Thanksgiving might hurt us. But we came in determined to keep the forechecking pressure on in the other end. We are playing well, and I hope when we go on the road next week we can keep it up."

After Duane Sutter made it 5-1 at 7:45 of the middle period, Foligno scored again on a five-foot tap-in at 15:52. One minute later, Paul Cyr brought the Sabres to within 5-3 on a pass from Housely.

But Duane Sutter's second goal restored New York's three-goal margin at 17:05, and the 6-3 lead stood up through the scoreless third period.

"They started doing what I told them to do," was Coach Al Arbour's assessment of his Islanders' hot streak. "After we lost to the Rangers [5-4 in overtime on Nov. 9], I think they became more coachable. In addition, Bryan Trottier has returned in good shape to make the kind of contribution only he can make."

Trottier's return enabled the Islanders to reunite the two-way center with his favorite wings, Bossy and Gilbert. Brent Sutter, Pat Flatley and John Tonelli now form another attack line, giving New York added balance. The prolific Brent Sutter-Tonelli-Bossy line, formed during the Canada Cup series, was used by Arbour for five weeks, but drew heavy coverage from checking lines.

Lakers Begin a New Rivalry By Edging Clippers, 108-103

The Associated Press

LOS ANGELES — A crowd of 14,991 at the Los Angeles Sports Arena watched the Los Angeles Lakers and Los Angeles Clippers begin their crosstown rivalry Saturday night, and the fans liked what they saw.

"The crowd was into the game, and that inspires both teams," said Coach Jim Lynam after his Clippers lost a scrappy 108-103 decision to the Lakers in the first regular-season National Basketball Association game between the teams since the Clippers moved from San Diego to Los Angeles last spring. "I could sense an element of intensity that was a notch up," Lynam said.

NBA FOCUS

James Worthy scored 27 points and pulled down eight rebounds to lead the Lakers, 10-5 and atop the Pacific Division, to their seventh straight victory. The 4-10 Clippers have lost three in a row and eight of their last nine.

Elsewhere on Saturday, it was New York 119, Indiana 100; Washington 112, Detroit 106; Atlanta 101, New Jersey 99; Dallas 113, Houston 95; Utah 123, San Antonio 117; Boston 135, Kansas City 124; Milwaukee 103, Golden State 97; Denver 114, Philadelphia 110; and Portland 141, Chicago 131.

On Friday, it was Boston 118, Washington 110; New York 120, Detroit 97; Kansas City 122, Indiana 105; Golden State 107, Cleveland 106; Utah 111, Houston 98; Chicago 113, Seattle 94; and Philadelphia 119, Phoenix 117 in overtime.

Saturday's crowd was the largest-ever attendance for a Clippers home game. "It was as spirited for 48 minutes as you're going to find," said Coach Pat Riley of the Lakers. "It was sloppy on both sides, more on ours." The Lakers committed 27 turnovers to 14 for the Clippers, but made 54.8 percent of their field goal attempts to only 42.9 percent for the losers.

The Lakers went ahead to stay on a 9-2 spurt in a span of less than two minutes early in the fourth quarter, turning an 80-79 deficit into an 88-82 lead. The Clippers drew to within two points at 90-88 before the Lakers rattled off eight straight to take a 10-point edge with six minutes remaining.

Worthy, who scored 13 of his season-high total in the first quarter and eight in the final period, made two free throws with 31 seconds left to give the Lakers a 106-100 lead and clinch the victory.

The Lakers led at halftime, 55-54, although they committed 17 turnovers to only seven for the Clippers and attempted just five free throws to the opposition's 18.

The Lakers held the largest advantage of the first three quarters at 17-10 midway through the opening period. The Clippers battled back to trail by only two points, 29-27, after the opening 12 minutes.

SPORTS

Dolphin Team of 1984 Analyzes 'Dream Year'

By Tony Kornheiser
Washington Post Service

MIAMI — Statistics buffs need no longer worry. The record's safe. By losing in overtime to the San Diego Chargers last week, the 1984 Miami Dolphins dropped out of the race toward immortality and, for this season at least, assured their 1972 counterparts of their line in the history books as the only perfect team in National Football League history.

Seventeen and oh-my-oh-my.

"I don't know how it happened," Bob Kuechenberg said last Wednesday. Kuechenberg was a Dolphin then and, albeit on injured reserve, he's a Dolphin still.

"It was perfection, a miracle, a fantasy. But we didn't dare dream it, because we all thought it was impossible. What happened in '72 was just that — a happening. None of us aimed at going undefeated. . . ." He allowed himself a slight giggle: "Along the way, we just forgot how to lose."

For 11 straight games this season these Dolphins, too, were perfect — the NFL's best start since '72. Naturally, comparisons were being made.

They were unfair, perhaps, since football now is a far cry from what it was then; rule changes in the late 1970s opened up the game, emphasizing scoring and rewarding pass offense. But comparisons were made nonetheless. Were these Dolphins, with Dan Marino, Mark Duper and Mark Clayton, as good as those Dolphins, with Bob Griese, Larry Csonka and Paul Warfield?

"It started when we were 5-0," said Doug Betters, a defensive end. "We had a great streak going, but it put a lot of pressure on us — and I don't know if it was good for us. After a while, it kind of got to be counterproductive. You find yourself thinking about the string more than the game."

"It's a natural inclination for the fans to make the comparisions," Kuechenberg admitted. "But it's a distraction for the players. You didn't hear Don Shula or any of the players making them, did you?"

But that doesn't mean their minds don't wander toward the sublime every once in a while.

"It's an opportunity to be really special," said guard Ed Newman last week as he repeatedly pumped 315 pounds (598 kilos) of iron during a lunch break at practice.

Said Betters: "We entertained the possibility, but never openly. We didn't want to set ourselves up. As it was, everyone was coming after us, trying to break the streak."

Was there any point this season when Betters actually thought these Dolphins might do it? "Not really. It's damned near impossible now. Washington couldn't do it last year, and they were real strong. The Raiders couldn't do it, and they were real strong. The fact is, we'd been lucky to win the last two games before San Diego."

Regardless of how nice an unbeaten record might be, it's the playoffs — not the regular season — that matters most to elite teams like the Dolphins, Raiders, 49ers and Redskins. "Winning it all is much more important than winning them all," Kuechenberg said. "The real goal is the second season — that's where you can't lose. The biggest heartbreak would be to end the season 16-1."

It may seem silly in retrospect, but Kuechenberg was sort of hoping the '72 Dolphins would lose one regular season game. "We'd locked up the division title after our 10th game, when we beat the Jets, 28-24," he said. "I remember sitting with our center, Jim Langer, in the locker room afterwards, joking about what game we wanted to lose — just to take the monkey off our backs."

It may be easier for Kuechenberg to talk about the psychic benefit of a midseason loss. He's got 1972 to keep him warm. "Several of my ex-teammates have made comments to the effect that they're pleased to still be the only unbeaten team," Kuechenberg said.

"That's honest, of course. That's an exclusive club we're in. To some degree, that feeling exists in me. However, I was particularly tortured by this loss because I'm also a member of this year's team.

"If you're asking me how I feel not to see the record equaled, I'd like to sidestep it. You understand, don't you?"

Who wouldn't?

5 College Football Bowl Matchups Still Undecided

United Press International

NEW YORK — Although bowl invitations were officially extended Saturday night, the matchups for two New Year's Day college football games and three other bowls remain undecided.

Baylor's upset of fourth-ranked Texas threw the Southwest Conference race and Cotton Bowl berth into confusion. Texas, Houston and Southern Methodist are still alive in the SWC chase, and two bowls beside the Cotton Bowl are hanging in the balance.

Boston College will meet the SWC champion Jan. 1 in Dallas. Houston has the inside track, needing a victory over Rice next Saturday to take the league crown. If the Cougars fall, Texas will go to the Cotton Bowl with a victory over Texas A & M. Southern Methodist stayed alive with a 31-28 triumph over Arkansas, but Mustangs will go to the Cotton Bowl only if Houston and Texas lose their finals.

The Sugar Bowl contestants won't be determined until Saturday, when Auburn plays Alabama. A victory would make Auburn the Southeastern Conference's representative; if Auburn loses, Louisiana State will meet Nebraska. Florida finished first in the SEC but is ineligible for the Sugar Bowl because of an impending probation by the National Collegiate Athletic Association.

No. 3 Oklahoma earned a piece of the Big Eight championship and a trip to the Orange Bowl by nipping second-ranked Oklahoma State. The Sooners will meet No. 5 Washington in Miami. Oklahoma and Nebraska tied for the Big Eight crown, but the Sooners will go to the Orange Bowl because of their 17-7 victory over the Cornhuskers.

With Oklahoma State and Texas losing on Saturday, the Orange Bowl could pit two of the top three teams in the nation and decide the national championship. But for that to happen, top-rated Brigham Young would have to stumble against Michigan in the Holiday Bowl on Dec. 21.

In other Jan. 1 games, Pac-10 champion Southern Cal will meet Big Ten winner Ohio State in the Rose Bowl and Miami and UCLA will square off in the Fiesta Bowl.

As the Western Athletic Conference titlist, BYU is committed to the Holiday Bowl; hence the No. 1 team will be absent from the New Year's Day action.

The Liberty, Aloha and Freedom bowls remain unsettled. Arkansas is expected to play in the Dec. 27 Liberty Bowl against either Auburn or LSU. If SMU doesn't go to the Cotton Bowl, the Mustangs will meet Notre Dame in the Aloha Bowl on Dec. 29. Iowa will meet either Texas or Houston in the Dec. 26 Freedom Bowl.

The rest of the bowl picture:

Dec. 15, California Bowl — Toledo vs. Nevada-Las Vegas; Dec. 15, Independence Bowl — Virginia Tech vs. Air Force; Dec. 22, Florida Citrus Bowl — Florida State vs. Georgia; Dec. 22, Sun Bowl — Tennessee vs. Maryland; Dec. 22, Cherry Bowl — Michigan State vs. Army; Dec. 28, Gator Bowl — South Carolina vs. Oklahoma State; Dec. 29, Hall of Fame Bowl — Kentucky vs. Wisconsin; Dec. 31, Peach Bowl — Virginia vs. Purdue; and Dec. 31, Bluebonnet Bowl — Texas Christian vs. West Virginia.

Brigham Young 38, Utah State 13

In Provo, Utah, Lakei Heimuli rushed for two touchdowns and Vai Sikahema added two to lift Brigham Young to its 23d straight victory, a 38-13 romp over Utah State. Robbie Bosco completed 28 of 52 passes for 338 yards and set an NCAA record by passing for 200 or more yards in his 12th game this season.

Oklahoma 24, Oklahoma State 14

In Norman, Oklahoma, Spencer Tillman scored on runs of 3 and 20 yards to lead the Sooners to a 24-14 decison over Oklahoma State. The winners' Keith Jackson caught a 6-yard scoring pass from Danny Bradley on the first play of the second quarter and Tim Lashar kicked a 27-yard field goal late in the third period.

SMU 31, Arkansas 28

In Irving, Texas, a 79-yard pass from Don King to Ron Morris set up the touchdown that allowed Southern Methodist to edge Arkansas, 31-28. Reggie Dupard cracked the normally stingy Arkansas defense for three touchdowns.

Baylor 24, Texas 10

In Waco, Texas, Thomas Everett intercepted a pass with less than four minotes to play and returned it 45 yards for a touchdown to clinch Baylor's 24-10 shocker over Texas.

South Carolina 22, Clemson 21

In Clemson, South Carolina, quarterback Mike Hold scored on a 1-yard plunge with 54 seconds left to complete a comeback from an 18-point deficit and give South Carolioa a 22-21 victory over Clemson. The Gamecocks marched 84 yards in eight plays for the tying touchdown. Scott Hagler's first conversion kick was wide, but when Clemson was penalized for having too many men oo the field Hagler made the second kick, giving him a school record 43-for-43 this year. South Carolina finished at 10-1, the school's best record ever.

Notre Dame 19, Southern Cal. 7

In Los Angeles, Tim Brown and Allen Pinkett scored touchdowns in ankle-deep mud and a driving rain to lift Notre Dame past Southern Cal, 19-7.

LSU 33, Tulane 15

In Baton Rouge, Louisiana, Dalton Hilliard rushed for 133 yards on 24 carries, one of them a 10-yard touchdown run, to spark Louisiana State's 33-15 romp over Tulane. The game ended 15 seconds early when a brawl broke out after the winners' Erie Martin caught a 6-yard TD pass from Jeff Wickersham.

Maryland 45, Virginia 34

In Charlottesville, Virginia, Rich Badanjek rushed for 217 yards and two touchdowns to help Maryland edge Virginia, 45-34. In a game that saw only four punts, Maryland racked up 575 yards in total offense and averaged 8.8 yards per play while running their record to 8-3. Virginia amassed a total of 527 yards. Maryland scored more than 40 points for the fifth time in their last six games.

B.C.'s Flutie: A Whirlwind Finish to Regular Season

United Press International

Pressured, Doug Flutie passed for a last-play touchdown and a 47-45 victory over Miami.

By Gerald Eskenazi
New York Times Service

MIAMI — Doug Flutie enhanced his legend Friday night with a last-play touchdown pass that soared 64 yards over three defenders and gave Boston College a 47-45 victory over Miami.

The pass, officially 48 yards, went to Flutie's roommate, Gerard Phelan, a senior flanker who caught the ball a step behind a crowd of players in the end zone with oo time left on the clock.

It was the last spectacular play of a spectacular game made special by the confrontation between two of college football's most glamorous quarterbacks — Bernie Kosar, the Miami sophomore, and Flutie, the senior who on Friday became the first collegian to pass for more than 10,000 yards in a career.

Despite his years of heroics, the final challenge was asking a bit much of Flutie. Only 28 seconds remained when Boston College took possession after a kickoff on its 20-yard line with Miami holding a 45-41 lead, fashioned oo Melvin Bratton's fourth touchdown of the night.

Only 6 seconds remained when Flutie took the final snap on the Miami 48. He later explained that the play was designed for him to throw to Phelan at the goal line, and that if Phelan was unable to catch the ball he would try to tip the ball to two other receivers nearby.

Under pressure, Flutie scrambled back and then to his right. From 63 yards away, he heaved the ball goalward. Phelan, one of several receivers who lined up to the right of the center and headed for the end zone, was a yard behind the goal line when the ball arrived. In front of him, three defenders tumbled over one another attempting to get to the ball. Phelan gathered it in for his 11th catch of the day, his second for a touchdown.

"He threw it a long, long way," Phelan said. "I didn't think he could throw the ball that far."

"I honestly believe when we ran that play that we had a chance," said Flutie. "I'm not saying that I anticipated it happening. I'm saying we had a chance, and that's all I can ask for.

He added: "I didn't know it was a touchdown. I thought it was incomplete. I didn't know it was good until I saw the referee's arms go up."

The play gave Flutie his third touchdown pass of the game, which he finished with 34 completions in 46 attempts for 472 yards. None of his passes was intercepted.

Kosar, meanwhile, hit on 25 of 38 for 447 yards. He threw for two scores and had two passes intercepted.

Boston College's record is 8-2 with one game remaining, Saturday against Holy Cross. The Eagles then will play in the Cotton Bowl on Jan. 1. Miami, which will face UCLA in the Fiesta Bowl on Jan. 1, finished the regular season at 8-4.

It was the second consecutive numbing defeat for Miami, the defending national champion. Two weeks ago Miami led Maryland by 31-0 at halftime but lost, 42-40, allowing the greatest comeback in college football history.

SCOREBOARD

Basketball

NBA Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Boston	11	1	.917	—
Philadelphia	9	4	.692	2½
Washington	10	6	.625	3
New York	7	9	.438	6
New Jersey	6	8	.429	6

Central Division

	W	L	Pct.	GB
Milwaukee	10	5	.667	—
Chicago	8	7	.533	2
Detroit	7	8	.467	3
Atlanta	6	7	.462	3
Indiana	4	11	.267	6
Cleveland	1	12	.077	8

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
Denver	11	2	.846	—
Houston	10	4	.714	1½
Dallas	8	7	.533	4
Utah	8	7	.533	4
San Antonio	6	8	.429	5½
Kansas City	2	10	.231	8

Pacific Division

	W	L	Pct.	GB
L.A. Lakers	10	5	.667	—
Portland	9	6	.600	1
Phoenix	8	7	.533	2
Seattle	4	9	.308	5
L.A. Clippers	4	10	.286	5½
Golden State	4	11	.266	6

FRIDAY'S RESULTS

Washington	28	27	23	27—110
Boston	36	23	23	26—118

Bird 12-19 4-5 28, D.Johnson 9-18 5-6 22; Gus Williams 11-18 1-1 23, Robinson 10-18 3-4 23. Rebounds: Washington 40 (Ruland 9); Boston 55 (Bird 13). Assists: Washington 23 (Bradley 8); Boston 24 (D.Johnson 8).

New York	29	23	23	33—128
Detroit	22	22	23	30—97

King 17-28 11-15 45, Walker 9-13 6-10 24; Laimbeer 6-11 8-10 20, V.Johnson 9-18 2-3 20, Thomas 8-21 2-2 18. Rebounds: New York 53 (Orr 11); Detroit 60 (Roundfield 12). Assists: New York 21 (Sparrow 9); Detroit 19 (Thomas 6).

Kansas City	31	23	23	43—122
Indiana	21	24	23	28—123

Woodson 10-17 0-10 28, Johnson 11-19 2-2 24; Kellogg 6-16 8-8 20, Williams 8-15 1-3 17. Rebounds: Kansas City 60 (Thompson 17); Indiana 56 (Williams 12). Assists: Kansas City 29 (Theus 10); Indiana 29 (Williams 8).

Golden State	23	28	27	28—107
Cleveland	23	22	28	21—106

Short 11-27 5-6 27, Floyd 9-17 0-0 18; Turpin 11-18 2-2 24, Davis 9-13 2-2 20. Rebounds: Golden State 37 (Smith 11); Cleveland 48 (Turpin 8). Assists: Golden State 28 (Floyd 10); Cleveland 29 (Bagley, Huston 8).

Philadelphia	22	25	26	30	18—119
Phoenix	27	24	31	19	16—117

Erving 10-22 11-12 31, Malone 9-17 5-5 23; Nance 11-22 3-5 25, Adams 10-15 5-6 25, Macy 7-10 0-0 14. Rebounds: Philadelphia 61 (Barkley 19); Phoenix 52 (Nance 11). Assists: Philadelphia 21 (Toney 5); Phoenix 38 (Macy 15).

Houston	31	25	17	25—98
Utah	23	28	23	22—111

Griffith 11-22 0-0 22, Drew 6-16 6-7 18; Sampson 9-23 6-7 24, Lloyd 8-13 2-4 18. Rebounds: Houston 64 (Olajuwon 15); Utah 65 (Eaton 16). Assists: Houston 21 (Lucas 7); Utah 27 (Stockton 8).

Chicago	21	24	28	38—112
Seattle	14	23	31	26—94

Jordan 9-13 5-6 23, Woolridge 9-17 2-3 20; Wood 9-15 3-3 21, Sobers 8-16 2-2 18. Rebounds: Chicago 54 (Greenwood 9); Seattle 45 (Chambers, Sikma 7). Assists: Chicago 34 (Whatley 15); Seattle 22 (Henderson 5).

SATURDAY'S RESULTS

L.A. Lakers	29	23	24	29—108
L.A. Clippers	27	29	24	25—103

Worthy 10-17 7-7 27, E.Johnson 7-10 3-3 17, Scott 8-14 1-1 17; Nixon 9-18 2-2 20, Bridgeman 7-12 4-4 18. Rebounds: L.A. Lakers 54 (Abdul-Jabbar 11); L.A. Clippers 42 (M.Johnson 8). Assists: L.A. Lakers 38 (E.Johnson 13); L.A. Clippers 18 (M.Johnson 6).

Chicago	27	27	25	42—131
Portland	34	24	24	35—141

Paxson 14-18 3-4 31, Vandeweghe 12-16 6-6 30; Jordan 10-24 10-10 30, Woolridge 9-13 3-4 21. Rebounds: Chicago 49 (Corzine, Johnson 10); Portland 36 (Carr 8). Assists: Chicago 27 (Jordan 8); Portland 37 (Valentine 11).

Philadelphia	27	29	28	26—110
Denver	23	27	36	26—116

English 14-29 3-4 31, Natt 10-18 3-4 23; Malone 7-11 10-16 24, Toney 5-10 5-6 15. Rebounds: Philadelphia 52 (Johnson, Malone 8); Denver 53 (Dunn 9). Assists: Philadelphia 22 (Cheeks 7), Denver 29 (Lever 10).

Golden State	18	22	22	33—97
Milwaukee	22	22	29	27—103

Pressey 6-12 9-10 21, Dunleavy 6-10 2-2 14; Short 14-28 7-7 35, Floyd 9-14 5-6 23. Rebounds: Golden State 53 (Short, Smith, Aleksinas 9); Milwaukee 47 (Cummings, Pressey, Mokeski 6). Assists: Golden State 23 (Conner 6); Milwaukee 29 (Pressey 8).

Utah	33	23	30	35—123
San Antonio	23	24	22	38—117

Griffith 16-22 5-9 37, Drew 11-20 11-16 33; Gilmore 5-12 17-19 23, Mitchell 10-25 5-6 25. Rebounds: Utah 46 (Kelley 10); San Antonio 48 (Gilmore 15). Assists: Utah 21 (Green 11); San Antonio 21 (Moore 9).

Boston	39	31	23	33—135
Kansas City	34	40	24	36—134

Parish 12-22 4-5 28, Maxwell 7-14 13-15 27; Theus 10-15 6-7 26, E.Johnson 9-25 1-1 19, Drew 6-16 7-7 19. Rebounds: Boston 59 (Bird 12); Kansas City 54 (Thompson 15). Assists: Boston 24 (Bird 7); Kansas City 23 (Drew, Theus 7).

Houston	23	23	28	18—95
Dallas	24	23	23	38—113

Blackman 10-17 6-7 26, Aguirre 5-15 7-8 17, Vincent 6-17 5-5 17; Sampson 9-16 3-7 21, McCray 7-14 6-8 20. Rebounds: Houston 44 (McCray 8); Dallas 60 (Vincent 17). Assists: Houston 17 (Lucas 8); Dallas 22 (Aguirre 6, Vincent 6).

Indiana	23	24	14	31—100
New York	23	32	24	18—119

King 19-31 14-17 52, Carter 8-11 4-4 20; Thomas 7-15 10-10 24, Fleming 6-17 8-12 20. Rebounds: Indiana 22 (Gray 11); New York 5) (Cummings 13). Assists: Indiana 17 (Williams 6); New York 24 (Sparrow, King 7).

Detroit	26	27	29	24—106
Washington	32	24	20	36—112

Robinson 10-16 4-7 24, Gus Williams 10-22 2-2 22; Thomas 13-27 9-11 35, Tyler 7-15 2-2 16, V.Johnson 7-16 2-2 16. Rebounds: Detroit 58 (Benson 9); Washington 57 (Robinson 16). Assists: Detroit 23 (Thomas 10); Washington 28 (Gus Williams 18).

New Jersey	23	29	24	17—99
Atlanta	23	24	23	25—101

Wilkins 10-17 8-12 28, S. Williams 5-17 4-6 16; B. Williams 7-16 10-12 24, Birdsong 9-20 5-6 23. Rebounds: New Jersey 47 (B. Williams 12); Atlanta 41 (Rollins 10). Assists: New Jersey 23 (Richardson 6); Atlanta 25 (Russell 6).

Football

U.S. College Results

EAST

Boston Coll. 47, Miami 45
Pittsburgh 31, Penn St. 11

SOUTH

Kentucky 17, Tennessee 12
LSU 33, Tulane 15
Maryland 45, Virginia 34
Mississippi 24, Mississippi St. 3
N. Carolina 17, Duke 15
Richmond 35, Boston U. 23
S. Carolina 22, Clemson 21

SOUTHWEST

Air Force 38, Texas-El Paso 12
Arkansas St. 37, Tn.-Chattanooga 10
Baylor 24, Texas 10
Houston 34, Texas Tech 17
Oklahoma 24, Oklahoma St. 14
Southern Meth. 31, Arkansas 28
Texas A&M 35, Texas Christian 21

FAR WEST

Arizona 16, Arizona St. 10
Brigham Young 38, Utah St. 13
Hawaii 48, New Mexico 13
Notre Dame 19, Southern Cal 7

Hockey

NHL Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts	GF	GA
Philadelphia	13	3	4	30	95	54
N.Y. Islanders	13	7	1	23	111	90
N.Y. Rangers	8	9	1	17	73	23
Washington	6	8	5	17	65	70
Pittsburgh	6	11	2	14	70	24
New Jersey	5	12	2	12	63	84

Adams Division

	W	L	T	Pts	GF	GA
Montreal	13	4	2	28	75	55
Boston	10	9	1	21	72	63
Quebec	10	10	1	21	81	79
Buffalo	9	10	3	20	83	77
Hartford	8	9	3	19	66	83

CAMPBELL CONFERENCE

Norris Division

	W	L	T	Pts	GF	GA
Chicago	10	9	2	22	89	78
Minnesota	7	9	5	19	75	24
St. Louis	9	9	1	19	70	72
Detroit	6	12	2	14	75	91
Toronto	4	14	3	11	67	108

Smythe Division

	W	L	T	Pts	GF	GA
Edmonton	15	3	3	33	111	66
Calgary	12	8	1	23	104	81
Los Angeles	10	8	3	23	87	81
Winnipeg	10	8	2	22	85	76
Vancouver	4	16	2	10	72	131

FRIDAY'S RESULTS

Toronto	0	1	4—5
Detroit	0	3	3—6

Duguay (11), Yzerman (8), Kisio 2 (6), Sittler (3), Gare (5); Courtnall 2 (5), Iafrate (2), Gavin (2), Frycer (10). Shots on goal: Toronto (on Stefan) 9-1-21—30; Detroit (on Wregget) 7-13-5—25.

Philadelphia	1	2	1—4
Buffalo	1	1	0—2

Propp (14), Howe (7), Kerr (20), Carson (4); Perreault 2 (10). Shots on goal: Philadelphia (on Barrasso) 10-10-6—26; Buffalo (on Lindbergh) 6-11-9—26.

New Jersey	2	2	0	0—4
Minnesota	2	1	1	1—5

Payne (8), McCarthy (6), Solheim (5), Blugstad (4), Hartsburg (6); Gagne (5), Broten (3), Verbeek (6), Meagher (2). Shots on goal: New Jersey (on Melanson) 9-6-11-3—29; Minnesota (on Resch) 11-14-12-1—38.

St. Louis	1	2	0—3
Calgary	1	0	0—1

Wickenheiser (5), Gilmour (5), Sutter (10); Beers (9). Shots on goal: St. Louis (on Edwards) 8-7-7—22; Calgary (on Wamsley) 0-10-12—30.

Winnipeg	2	2	1—5
Vancouver	0	0	1—1

Mullen (10), Hawerchuk 2 (11), Lundholm (5); MacLean (4); McNab (8). Shots on goal: Winnipeg (on Caprice) 16-7-8—31; Vancouver (on Hayward) 7-9-6—22.

N.Y. Islanders	2	2	0—5
Washington	0	0	1—1

Bossy 2 (24), Hollin 2 (2), Trottier (6); Stevens (1). Shots on goal: New York (on Mason, Riggin) 10-7-13—30; Washington (on Hrudey) 10-13-9—32.

SATURDAY'S RESULTS

Winnipeg	4	2	3—9
Los Angeles	0	2	3—5

Hawerchuk (12), Boschman 2 (9), Steen (6), MacLean 2 (8), Small (8), Babych (2); Nicholls (15), LaPointe (1), MacLellan 2 (10), Dionne (11). Shots on goal: Winnipeg (on Janecyk) 18-10-9—37; Los Angeles (on Hayward) 6-16-15—37.

Minnesota	2	0	2—4
Toronto	0	1	1—2

Bellows 2 (10), Lawton (2), Acton (5); Vaive (11), Anderson (6). Shots on goal: Minnesota (on Wregget) 13-8-6—27; Toronto (on Meloche) 7-18-7—32.

Detroit	1	0	2—4
Montreal	2	1	3—6

Naslund 3 (10), Walter 2 (7), Smith (7); Yzerman (9), Boldirev (9), Cernik (2), Ogrodnick (11). Shots on goal: Detroit (on Soetaert) 10-1-10—21; Montreal (on Micalef) 12-11-7—30.

St. Louis	2	2	0—4
Edmonton	2	2	2—7

Hunter (6), Gretzky 2 (21), Coffey (7), Hughes (6), Kurri (22), Krushelnyski (8); Wickenheiser (6), Pettersson (8), Mullen (9), Lemieux (1), Gilmour (6), Lavie (2). Shots on goal: St. Louis (on Fuhr) 11-9-11—31; Edmonton (on Liut) 14-12-11—37.

Philadelphia	0	2	3	0—4
Hartford	2	1	1	0—4

Tocchet 2 (5), Howe (8), Smith (5); Neufeld (7), Robertson (4), Johnson 2 (8). Shots on goal: Philadelphia (on Millen) 8-11-10-3—32; Hartford (on Lindbergh) 13-10-7-1—31.

New Jersey	1	2	2—5
Pittsburgh	1	1	1—3

Broten 2 (5), Ludvig (2), Bridgman (3), Sullivan (8); Fox (2), Lamoureux (1), Shedden (7). Shots on goal: New Jersey (on Herron) 4-10-13—27; Pittsburgh (on Low) 13-6-9—28.

N.Y. Rangers	0	2	1—3
Quebec	2	5	1—8

Rochefort (2), Gillis (4), Goulet 2 (15), P. Stastny (9), McKegney (10), A. Stastny 2 (11); Larouche (7), Ftorek (2), Kontos (1). Shots on goal: New York (on Gosselin) 3-11-10—23; Quebec (on Vanbiesbrouck, Hanlon) 19-19-10—48.

Buffalo	1	2	0—3
N.Y. Islanders	2	4	0—6

Persson (1), Bossy (25), Trottier (5), Boutilier (7), D. Sutter 2 (9); Foligno 3 (7), Cyr (3). Shots on goal: Buffalo (on Smith) 8-9-12—29; New York (on Sauve) 12-12-5—29.

Chicago	0	1	1—2
Boston	0	1	6—7

Savard (9), Secord (6); Fergus (11). Shots on goal: Chicago (on Peeters) 8-6-7—21; Boston (on Skorodenski) 15-12-11—38.

European Soccer

ENGLISH FIRST DIVISION

Liverpool 2, Ipswich 0
Luton 2, West Ham 3
Norwich 4, Everton 2
Queen's Park Rangers 2, Aston Villa 0
Southampton 1, Newcastle 0
Stoke 1, Watford 3
Sunderland 3, Manchester United 2
Tottenham 1, Chelsea 1
West Bromwich 5, Coventry 2
Nottingham Forest 2, Leicester 1
Sheffield Wednesday 2, Arsenal 1

Points Standings: Everton 32; Tottenham, Manchester United, Arsenal 29; West Ham 26; Sheffield Wednesday, Southampton 25; Liverpool, Nottingham Forest 24; Chelsea, Sunderland, Norwich 23; West Bromwich 22; Newcastle 21; Watford, Queen's Park Rangers 18; Aston Villa 17; Ipswich 16; Leicester, Coventry 15; Luton 14; Stoke 7.

WEST GERMAN FIRST DIVISION

Waldhof Mann. 1, Boruss. Mönchengladbach 2
Werder Bremen 4, Eintracht Brunswick 1
Fortuna Düsseldorf 4, Hamburg 2
Stuttgart 1, Bochum 2
Bayern Munich 4, Karlsruhe 2
Schalke 1, Eintracht Frankfurt 2

Points Standings: Bayern Munich 21; Werder Bremen 19; Borussia Mönchengladbach 18; Kaiserslautern, Hamburg, Bochum 17; Bayer Uerdingen, Eintracht Frankfurt 16; Cologne, Bayer Leverkusen 14; Schalke, Stuttgart 13; Fortuna Düsseldorf, Karlsruhe 12; Waldhof Mannheim 11; Arminia Bielefeld 10; Borussia Dortmund, Eintracht Brun. 9.

FRENCH FIRST DIVISION

Nantes 2, Nancy 1
Brest 2, Toulouse 2
Paris-SG 2, Monaco 1
Bordeaux 5, Laval 2
Bastia 2, Strasbourg 1
Tours 1, RC Paris 0
Auxerre 2, Rouen 0
Lens 3, Marseille 0
Toulon 2, Lille 1
Metz 1, Sochaux 1

Points Standings: Nantes 30; Bordeaux 29; Auxerre 22; Toulon, Metz 21; Bastia 20; Lens, Brest 19; Paris-SG 18; Monaco, Laval 17; Sochaux 16; Toulouse, Nancy 15; Lille, Tours, Marseille 14; Strasbourg 13, Rouen, R.C.P. 12.

ITALIAN FIRST DIVISION

Atalanta 3, Avellino 3
Fiorentina 1, Inter 1
Lazio 3, Como 2
Milan 0, Sampdoria 1
Napoli 1, Cremonese 0
Torino 1, Verona 2
Udinese 0, Juventus 3

Points Standings: Verona 17; Torino, Sampdoria 14; Inter 13; Milan 11; Fiorentina, Avellino, Juventus, Roma, Atalanta 10; Napoli, Como 9; Lazio 8; Udinese 7; Ascoli 5; Cremonese 3.

Tennis

NEW SOUTH WALES WOMEN'S OPEN

Semifinals

Ann Henricksson, U.S., def. Wendy Turnbull, Australia, 1-6, 7-5, 6-3; Martina Navratilova, U.S., def. Zina Garrison, U.S., 6-2, 6-1.

Final

Navratilova def. Henricksson, 6-1, 6-1.

SOUTH AFRICAN OPEN

Semifinals

Eliot Teltscher (3), U.S., def. Brad Gilbert (6), U.S., 6-2, 6-3; Vitas Gerulaitis (4), U.S., def. Steve Meister, U.S., 7-6 (11-9), 6-1.

Final

Teltscher def. Gerulaitis, 6-3, 6-1, 7-6 (7-1).

TOULOUSE TOURNAMENT

Semifinals

Heinz Gunthardt, Switzerland, def. Anders Jarryd, Sweden, 3-6, 6-3, 6-3; Mark Dickson, U.S., def. Michael Westphal, West Germany, 6-2, 7-6 (7-2).

Final

Dickson def. Gunthardt, 7-6 (7-3), 6-4.

Georgetown Looking to Repeat as Titlist

"Unless Muhammad Ali starts coaching, you're not going to get any coach saying, 'I'm going to win the national championship.' It's not a sensible thing to do."

— John Thompson, coach of 1983-84 champion Georgetown.

By Fred Lief
United Press International

NEW YORK — Logic says it's best to keep quiet about such things. It has been more than a decade since a school won consecutive National Collegiate Athletic Association championships.

UCLA took the title in 1972 and 1973. The players were Bill Walton, Keith Wilkes, Larry Farmer and Greg Lee; the coach was John Wooden and the dynasty was near the end.

A revolution was upon college basketball: Scholarships were reduced, blacks made their way in greater oumbers into athletic programs of Southern universities, television and the college game discovered their mutual love, gleaming arenas grew out of prairies and deserts.

Talent found its way into places where basketball had been a second-class sport. Winning became tougher, let alone taking an NCAA crown and doing it again the next year. So for Georgetown to repeat will be oo small undertaking.

But there is good reason to think it could again be a Georgetown year. The Hoyas went 34-3 last season in becoming the first Eastern school in 30 years to claim the title. They forced opponents to shoot below 40 percent, an NCAA record. And if any doubts remained, they were dispelled in the dismemberment of Kentucky in the NCAA semifinals and the victory over Houston in the final.

A killer team baseline-to-baseline last year, Georgetown may be even more rugged in 1984-85. In the middle is 7-foot (2.13-meter) all-America Patrick Ewing, the shot-blocker who makes the Hoyas go. Back on the front line are David Wingate, Ralph Jackson and Bill Martin, with swingman Reggie Williams and guards Michael Jackson and Horace Broadnax. Seven veterans — and Georgetown has some of the country's best recruits.

"Because it is a national championship, you tend to think it's complete," says Thompson. "But it's not complete. We made a lot of mistakes. I'm not by nature the sort of person who comes into anything overconfident."

Thompson need look no farther than his own Big East Conference — including St. John's and Syracuse — for confidence-shakers. And the rest of the country's 282 Division I schools are ready for the proceedings, which will culminate next spring with the NCAA's final four in Lexington, Kentucky.

The Associated Press

Wayman Tisdale of Oklahoma, the big man in the Big Eight.

U.S. COLLEGE BASKETBALL PREVIEW

EAST

Syracuse has front-liners Andre Hawkins and Rafael Addison, and with Dwayne Washington at guard the Orange could blossom. Villanova, with Ed Pinckney, is always tough, but the big threat could come from St. John's. The Redmen have Chris Mullin, a wonder with or without the ball, while adding forward Walter Berry, the nation's top junior college player last year.

The Atlantic 10 has four top players in Granger Hall of Temple, Mike Brown of George Washington, Maurice Martin of St. Joseph's and John Battle of Rutgers. Temple should win the title, but look for trouble from St. Joseph's and George Washington.

LaSalle, led by Steve Black and Ralph Lewis, should handle the Metro Atlantic Athletic Conference, while Harvard, with Joe Carrabino, may break the Penn-Princeton monopoly in the Ivy League.

SOUTH

North Carolina has lost Michael Jordan and Sam Perkins, so the time might be right for Duke, with jet-stream guards Johnny Dawkins and Tommy Amaker, to make a move for the Atlantic Coast Conference crown.

Georgia Tech has splendid guards in Mark Price and Bruce Dalrymple and is strong up front. North Carolina State rejoins the heavy hitters with muscular Lorenzo Charles, and Maryland leans on forwards Len Bias and Adrian Branch. Virginia loses its backcourt, a year after losing Ralph Sampson.

The Metro Conference is packed. Memphis State has a lethal front line with Keith Lee and 7-foot William Bedford. Virginia Tech's backcourt is spiced by Dell Curry; Louisville, led by Milt Wagner, may settle for third.

In the Southeastern Conference, Kentucky goes with Kenny Walker and a bountiful freshman crop. LSU is backed by Jerry Reynolds, Derrick Taylor and great recruits, while Alabama is powered by Bobby Lee Hurt. Tennessee, Georgia and Aoburn will not die easily.

MIDWEST

DePaul, paced by Tyrone Corbin, Dallas Comegy and Kenny Patterson, has beefed up its schedule to become tournament-tough. Bobby Knight's Indiana has Steve Alford, Uwe Blab and freshman Delray Brooks, while Illinois gets its life from Bruce Douglas and Efrem Winters. Indiana and Illinois will be pushed in the Big Ten. Michigan has Antoine Joubert and Iowa regroups behind Michael Payne and Greg Stokes.

Independents Notre Dame and Dayton should fare better with new blood, while Marquette looks to be in for a rocky season.

The dominant figure in the Big Eight is Oklahoma's Wayman Tisdale, who is joined by a fine guard in Tim McCalister. Three big men will keep their squads alive: Kansas with 7-foot-1 Greg Dreiling, Nebraska with 7-0 Dave Hoppen and Missouri with 6-10 Greg Cavener.

SOUTHWEST

Akeem Olajuwon and Michael Young are no longer at Houston, so the heat is turned down for the rest of the Southwest Confereoce. "Like everybody else," says Cougar Coach Guy Lewis, "I'm picking SMU and Arkansas as the teams to beat."

SMU, with center Jon Koncak, returns five starters from a team that went 25-8 and gave Georgetown its toughest game of the NCAA tournament. SMU has nonleague games against Kentucky, Louisville, North Carolina and N.C. State. Arkansas loses three starters, including Alvin Robertson, leaving the burden on center Joe Kleine.

ROCKIES

Texas-El Paso is again the heart of the Western Athletic Conference. The load will be carried by Luster Goodwin, Kent Lockhard, Kevin Hamilton and 6-10 Dave Feitl, the WAC's best big man.

In the Big Sky, Weber State went 23-8 last year to win tha regular-season title, but Larry Krystkowiak and Larry McBride give Montana a bruising inside game and a shot at the crown.

FAR WEST

Backed by Detlef Schrempf and Christian Welp, both natives of West Germany, Washington could — with the right point guard — wind up in Lexington.

Oregon State loses the inside talents of Charlie Sitton, but Coach Ralph Miller has A.C. Green, Steve Wooside and Darryl Flowers. The UCLA, 17-11 and fourth in the Pac-10 last season, will rely on Gary Maloncon, Brad Wright and Nigel Miguel.

Nevada-Las Vegas will keep rolling in the Pacific Coast Athletic Association, the keys being Richie Adams and Ed Catchings. Gone from Fresno State are Bernard Thompson and Ron Anderson, so compensatioo must come from Scott Barnes and strong defense.

LANGUAGE

Putting on the Lavish

By William Safire

WASHINGTON — "From the glow of the tapers on the 4-foot candelabra," reads the lush advertising copy for New York's Helmsley Palace hotel, "to the 100-year-old pastel panels of a royal court in amorous play, Leona Helmsley ensures the grandeur. . . . What better way to lavish her royal family."

Soon after that ad appeared, a New Yorker cartoon by Lee Lorenz showed a wealthy couple coming out of a French restaurant, with the man saying, "I'd say we were served adequately but not lavished."

Lavish is best known as an adjective, from the Latin *lavare*, "to wash," root of *lavatory* and *lather*. A torrent of rain washing over the land was considered by the French to be *lavasse*, "abundant," even "excessive"; hence, *lavish* in English means "extravagant" or "profuse."

But what about *lavish* as a verb? Lexicographers have always known of the intransitive use of *lavish*, meaning "to be lavish," and can cite examples from the Oxford English Dictionary showing a transitive use as well. Nicholas Udall's 1542 translation of the apothegms of Erasmus was first: "Those persones, who of a ryottousnesse did prodigally *lavesse* out and waste their substaunce."

The transitive verb has also been used with an immaterial object: "But I have lavished out too many wordes," wrote Sir Philip Sidney in 1581. More recently, we have been awash in the usage *to lavish (something) on*: "He attracts the attention a nation lavishes on its heroes," wrote Murrey Marder in The Washington Post about Henry Kissinger. The Economist wrote in 1976, "The government is also proposing to lavish on itself executive reserve powers."

Therefore, Mrs. Helmsley has every right to reach back and give new currency to the transitive verb form in seeking to "lavish her royal family. You. Her guests."

IN a closely related linguistic development, the word *slather* has been coming on strong. This from the current Mademoiselle magazine: "Sit with ankle resting on the opposite thigh. Slather lotion or oil onto hands. Stroke calf muscle with your thumb and fingers, squeezing . . ." Or this, on foot care, from the same publication: "Mix 2 mashed avocados with several drops of lemon juice and 2 Tbs. honey. . . . Slather on feet. Place each foot in a plastic bag and elevate legs for 10 mins."

In 1978, The Washington Post's Carol Krucoff described the way office workers grabbed a few moments of sun: "They slither into swimsuits, *slather* on the Deep Tan, slip on their sunglasses. . . ." In 1980, Florence Fabricant wrote in The New York Times: "Frequently the barbecue chef *slathers* on a basic red sauce right from the bottle," and in 1984, The Washington Post's David Remnick criticized a sportscaster who "*slathers* on the schmaltz with a broad knife."

Slather was first cited in 1876 as a noun, meaning "a great quantity," and is still used that way: People who lounge around stroking and squeezing their calf muscles usually have *slathers* of money. Merriam-Webster has its first verb citation of *slather* in 1881 and has as its primary meaning "to spread thickly or lavishly," with an extended meaning of "to use or spend in a wasteful or lavish manner."

Where does *slather* come from? An 1818 glossary of Cheshire words defines it as a verb meaning "to slip or slide." This was the sense Rudyard Kipling had in mind when he wrote in 1909: "I hate slathering through fluff." There could be a link, as yet missing, between the slippery glop of Cheshire and the oily substance that the sun-worshiping office workers smear on their pale bodies.

The easy part of all this has been to readily accept a revived use of an older English verb and to welcome the wider use of a colorful bit of slang. And now to the hard part — the synonymy of pouring it on. As transitive verbs, how do *lavish* and *slather* differ?

Lavish means "treat with extravagance, pamper, fuss over, heap goodies upon." By *lavishing* praise, we do a positive thing to some admitted excess; the verb has a connotation of pleasure. *Slather* means "to besmear, to lay on almost obscene quantities." By *slathering* on the butter, we approach gluttony; the verb is almost always used pejoratively.

Lavish us, Leona, but *slather* us not.

New York Times Service

Back to the Russia of Peter the Great

By Serge Schmemann
New York Times Service

Serge Schmemann/The New York Times
Director-producer Chomsky with Russian extra.

SUZDAL, U.S.S.R. — It could be the daydream of a die-hard U.S. right-winger: Soviet soldiers in bright red tunics, bankrolled by an American conglomerate, stream across the Moscow River and seize the Kremlin.

It actually happened last week in this jewel of an ancient Russian town. The "Kremlin" was really the walled, 14th-century Spaso-Yevfimive monastery, one if its towers transformed for the occasion into a facsimile of Moscow's Spassky Gate.

The bankroller was NBC Television and the soldiers — real Soviet soldiers — were decked out as Streltsy, the old Russian militia whose periodic rebellions played a formative role in the life of Peter the Great, and whom he finally disbanded and slaughtered.

The attack took only a few minutes. After a flurry of shouted commands in English, Russian, Italian and other less familiar tongues, the Streltsy bolted through the wooden streets of Moscow, scattering peasants and upsetting carts.

It ended peaceably enough. As winter's early dusk put an end to the day's shooting, the Streltsy, their reddish beards pulled down around their necks, ambled back from the "Kremlin," formed into ranks and marched off to waiting buses.

"You ought to be here when Peter routs the Streltsy and Moscow is put to the torch," said Marvin J. Chomsky, the director-producer, his ear flaps pulled tightly down against the rapidly sinking temperatures.

The shooting is part of an ambitious, $26.5 million project, a 10-hour, four-part mini-series based on "Peter the Great," Robert K. Massie's 1981 Pulitzer Prize-winning biography of the Russian czar 300 years ago who overcame brutal court intriques — including opposition from his own son, whom he had killed — to amass awesome powers; who went incognito to Europe to wrench Russia out of its medieval isolation, and who forged a nation capable of crushing the Turks and the Swedes.

The camera work is being supervised by Vittorio Storaro, who brought a team of Italians along, and other members of the production team are largely from Germany and Britain.

The cast is similarly international. Peter is being acted by Maximilian Schell and his half-sister Sophia is portrayed by Vanessa Redgrave. Other members of the large cast include Omar Sharif, Trevor Howard, Laurence Olivier and Lilli Palmer.

"Peter the Great" is a project for which NBC has effectively occupied Suzdal, a sleepy tourist town of 11,000 people northeast of Moscow with a profusion of onion-domed churches and walled monasteries left over from a more auspicious past. Suzdal's "Kremlin" has been converted into an approximation of Moscow's famed center, with a full-size mock-up of the Uspensky Cathedral, where czars were crowned, facing a plywood Terem Palace replete with icons and double-headed imperial eagles long banished from the original.

But for all the magic of the carpenters and decorators, it was Suzdal that supplied an authenticity Hollywood could never have matched. A light covering of early snow dusted the endless cupolas and battlements, while frost turned trees into glittering sculptures of ice. The sets blended with streets of log houses differing from the decorations largely in the television antennas sprouting from their roofs, while the muzhiks and babushkas recruited as extras from among the local citizenry squinted from behind the same weathered northern faces that Peter knew when traversing these parts.

It seemed appropriate that the local production headquarters and many of the Western team members had been housed in a restored convent — the one, in fact, to which Czar Peter had banished his first wife, Eudoxia Lopukhina.

For all the charm of the setting, "Peter the Great" has not come easy — or cheap. The original idea, a six-hour show costing $12 million, has swelled into a 10-hour series now expected to cost $26.5 million — a sum roughly double the going rate of mini-series. As the costs mushroomed, the original director, Lawrence Schiller, the man who conceived the idea, was replaced on Aug. 30 by Chomsky — director of such earlier major productions as "Holocaust," "Inside the Third Reich" and "Attica."

Some delays have been uniquely Soviet. Filming was held up when trucks carrying critically needed wigs arrived late from Bukhara, in central Asia, where the battle of Azov was filmed. According to Suzdal scuttlebutt, unconfirmed, the drivers had loaded the trucks with southern melons and took their time peddling these along the route.

But, on balance, both Americans and Russians seem to be thrilled by the cooperation. For the Americans there is an authenticity and an expertise that could not have been found elsewhere. Alexander Popov and Ella Maklakova, the Soviet art director and costumer, respectively, have drawn superlatives for their ability to re-create the world of Russia on the eve of its first major contact with the West.

From the extraordinary effort the Russians have invested in the film, it is clear that their stake in this production is more than economic.

"Originally, we thought they were doing it for money," said Katz, "but now it's clear that it transcends money. In fact, they've probably overspent in their own terms. But it seems to be a great challenge, to see whether cooperation is possible on something like this, especially with official relations being in the state they're in."

"We want American viewers to see that Russia in those days was not some wind-blown sheds, but already a great state," said Popov, the 38-year-old set designer responsible for the Grand Kremlin and the wooden Moscow. "That Americans will see the film is terribly important," he added. "We're putting much more effort into this than into our own pictures. We know that we, our abilities and our potential, will be judged by this work."

IWATE POSTCARD

Japan's Cattle Country

By Christine Chapman
International Herald Tribune

IWATE, Japan — The frost is on the apples and the cows are getting fat up in Iwate prefecture, in the Tohoku, or northeastern part of the country.

Japan's biggest mainland state, Iwate has the beauty of New England and the poverty of Appalachia. But up here they talk more about the mountain scenery, the apple crop and the cattle auction than about the hardscrabble lot of people working and living on the farm. Iwate has none of the tumble-down, shanty-town look of the West Virginia mountain communities, but it's difficult to make a living on the small farms even when the government is subsidizing the over-abundant rice crop.

A small rice-and-cattle farm in Shiwa, central Iwate, belonging to Zenji Nozaki, a 62-year-old former railroad employee, sits on two hectares (about five acres), typical of farms in the prefecture where most of the land is forest and only 11 percent is cultivated. Because of the rice surplus, Nozaki is trying his hand at breeding. He raises black cattle, Japan's original breed, and uses the dung to improve the soil of the rice paddies.

Before World War II Iwate was horse-raising country. After the war the livestock industry switched to dairy and beef cattle, but the number of heads compared to those in Japan's northern island, Hokkaido, is minor. Nozaki has 10 head and produces six calves annually for marketing, few by any standard.

"The livestock industry just developed 20 years ago," said Yutaka Yoshioka, a member of the Agricultural Policy Committee, an independent research agency associated with the Ministry of Agriculture.

"The basic facilities for dairy cows are almost equal to those in England and the Netherlands, but in the case of beef cattle the level of technique, management, everything, is low and underdeveloped because the industry is very traditional. The government is trying to encourage expansion."

While Nozaki is trying to make his farm self-supporting, he must work part-time in Morioka, the prefecture's capital city, in the winter. So must his son, whose family also lives on the farm.

There was a grander operation at the dairy-and-beef cattle farm of Kunihiko Kudo, 38, who looked like a model for a tractor advertisement in a bright green outfit branded with the John Deer logo.

The tractor and the feed grain for his 100 Holsteins come from the United States, but the calves are homegrown, he explained. Kudo, who produces 62 head of cattle annually for marketing, will add 80 more steers when he expands the farm with subsidies from the national and prefectural governments. By working jointly with five other farmers Kudo is entitled to a government grant, which he need not repay.

"I thought this business might be profitable," Kudo added. "But it's not as much as I expected."

Before returning to the 14-acre family farm 10 years ago, Kudo worked as a surveyor. Now four generations of Kudos live on and work the farm.

His feed-lot operation does not produce high-quality beef, but meat for general consumption. Beef is a sometime-addition to the Japanese diet, while rice and most other foods are "stagnant," according to agriculture expert Yoshioka. Imported or domestic, beef is expensive, and housewives elsewhere would be shocked by the limited selection and small packages in the supermarkets.

Further north in Yamagata in the eastern part of the prefecture is the rural Japan made famous by woodblock print artists. Crumbling thatched roofs of old farmhouses, rice drying on racks and asymmetrical stacks of rice straw in the fields, orange persimmon trees and white birches, cone-shaped Mount Iwate, all mark the subdued landscape on a fall afternoon. As in the woodblock prints, there aren't many people, maybe one or two bending to clean out a rice paddy after the harvest. A countrywoman sells garden produce and straw winter sandals from a roadside stand.

A farmer in Yamagata, a village that won first prize last year for agricultural production, has 14 cattle. He also grows *shiitake* mushrooms and makes charcoal. From May to November when the cattle are grazing he works "outside" of the farm.

"I can't make a living just from breeding cattle," he said.